

## The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on Tuesday, February 28, 2012 at 1:00 P.M.

**PUBLIC SESSION** – The Board will meet in Public Session at 1:00 P.M.

1. Call to Order, Roll Call and Miscellaneous Business
2. Oral Communications
  - 2.1 Oral Communications From the Board
  - 2.2 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

  - Disability Retirements
    - Bret Holaday
    - Christine Pepe
    - Kathleen Parkin
    - Chas Mercurio
    - Angela Jabbour
  - Service Retirements
  - Continuances
  - Deferred Retirements
  - Member Account Refunds
  - Member Account Rollovers

• Administrative Matter  
Resolution authorizing the Chief Executive Officer to execute the second addendum to the maintenance and support agreement for PensionGold Software between the San Mateo County Employees Retirement Association and Levi, Ray and Shoup, Inc.
5. Benefit & Actuarial Services
  - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
6. Investment Services (**The Investment Committee will meet on February 28 at 10:00 AM**)
  - 6.1 Acceptance of the Preliminary Monthly Portfolio Performance Report
  - 6.2 Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011
  - 6.3 Approval of Investment Management Agreement International Large Cap Growth Manager  
Baillie Gifford & Company – EAFE Plus Focus
  - 6.4 Approval of Investment Management Agreement International Small Cap Core Manager  
Pyramis Global Advisors – Select International Small Cap
  - 6.5 Approval of Investment Management Agreement International Large Cap Growth Manager  
Eaton Vance Management (Parametrics) – Structures Emerging Markets Equity
  - 6.6 Approval of the Investment Committee's Work Plan for Fiscal Year 2012/2013
  - 6.7 Discussion and Approval of Potential Alternative Investment
7. Board & Management Support Services
  - 7.1 Acceptance of the Monthly Financial Report
  - 7.2 Approval of authorization to enter into an agreement with LRWL, Inc. for Project Manager Services
  - 7.3 Approval of the Audit Committee's Plan for Fiscal Year 2012/2013
  - 7.4 Introduction of *SamCERA's* Sources, Uses & Budget for Fiscal year 2012/2013
  - 7.5 Annual Review & Reaffirmation of *SamCERA's* Mission, Goals and Objectives
  - 7.6 Annual Review & Reaffirmation of *SamCERA's* Code of Fiduciary Conduct
  - 7.7 Annual Review & Reaffirmation of *SamCERA's* Conflict of Interest Code
  - 7.8 Annual Review & Reaffirmation of *SamCERA's* Strategic Services Resolution
  - 7.9 Annual Review & Reaffirmation of *SamCERA's* Internal Controls Policy
  - 7.10 Annual Review & Reaffirmation of *SamCERA's* Travel Policy
  - 7.11 Annual Review and Reaffirmation of *SamCERA's* Educational Policy
  - 7.12 Annual Review and Reaffirmation of *SamCERA's* Expense Reimbursement Policy

*[Continued on page 2 – Printed 02/22/12]*

**\*Matters Set for a Time Certain:** *Times listed are approximate. In no case will any item be heard before it is scheduled.*

# Notice of Public Meeting

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SamCERA



7.13 Acceptance of Report on Upcoming Trustee Elections and Appointments

- 8. Management Reports
  - 8.1 Chief Executive Officer's Report
  - 8.2 Assistant Executive Officer's Report
  - 8.3 Chief Investment Officer's Report
  - 8.4 Chief Legal Counsel's Report

**CLOSED SESSION** – The board may meet in closed session prior to adjournment

- C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
- C2 Initiation of litigation pursuant to subdivision (c) of Government Code Section 54956.9- One case

9. Report on Actions Taken in Closed Session

10. Adjournment in memory of the following deceased members:

Greenwell, Elizabeth	December 10, 2011	Social Services
Laakso, George	December 23, 2011	Public Works
Linale, Rosaling	December 31, 2011	Ben of Linale, George
Earnest, Viola	January 6, 2012	General Hospital
Burnett, Charles	January 8, 2012	Public Works
Bullard, William	January 17, 2012	District Attorney Office
Koelling, Ervin	January 19, 2012	Dept of Public Works
Price, Barbara	January 19, 2012	Superior Court
Eich, Helen	January 22, 2012	Ben of Eich, Henry
Fletcher, Ellen	January 24, 2012	Ben of Fletcher, Lindsay
Narayan, Navindra	January 30, 2012	San Mateo Medical Center

Scott Hood, Acting Chief Executive Officer

Printed: 2/22/12

**THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,**

WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.

Detailed directions are available on the "Contact Us" page of the website [www.samcera.org](http://www.samcera.org)

*Free Parking is available in all lots in the vicinity of the building.*

*A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.*

**IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:**

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact SamCERA at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

February 28, 2012

Agenda Item 3.0

**January 24, 2012 – Board Agenda**

**PUBLIC SESSION** – The Board will meet in Public Session at 1:00 p.m.

1. Call to Order, Roll Call and Miscellaneous Business
2. Oral Communications
  - 2.1 Oral Communications From the Board
  - 2.2 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda  
(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)
  - Disability Retirements
    - David Lewis
  - Service Retirements
  - Continuances
  - Deferred Retirements
  - Member Account Refunds
  - Member Account Rollovers
  - Placement Agent Disclosure Report
5. Benefit & Actuarial Services
  - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
  - 5.2 Adoption of Cost of Living Adjustments (COLAS) for 2012
6. Investment Services (The Investment Committee will meet on January 24 at 10 a.m.)
  - 6.1 Presentation of the Preliminary Monthly Portfolio Performance Report
  - 6.2 Approval of SamCERA's Template Investment Management Agreement
  - 6.3 Approval of SamCERA's Updated Investment Policy
  - 6.4 Discussion and Direction to Staff as to Process for Alternative Investment Review
7. Board & Management Support Services
  - 7.1 Presentation of the Monthly Financial Report
  - 7.2 Quarterly Budget Report
8. Management Reports
  - 8.1 Chief Executive Officer's Report
  - 8.2 Assistant Executive Officer's Report
  - 8.3 Chief Investment Officer's Report
  - 8.4 County Counsel's Report

**CLOSED SESSION** – The board may meet in closed session prior to adjournment

- C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
- C2 Placement Agent Disclosure Report
9. Report on Actions Taken in Closed Session
10. Adjournment in memory of the following deceased members

San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

**January 24, 2012 – Board Minutes**

0112.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:01 p.m., January 24, 2012, in *SamCERA's* Board Room, 100 Marine Parkway, Suite 160, Redwood Shores, California.

0112.2 **Roll Call:** Ms. Arnott, Mr. David, Mr. Tashman, Mr. Bowler, Ms. Agnew, Mr. Hackleman, Ms. Settles, and Mr. Murphy. *Excused:* Ms. Kwan Lloyd and Mr. Spinello. *Staff:* Mr. Hood, Mr. Clifton, Ms. Carlson, Ms. Smith, Ms. Meitz and Ms. Perez. *Consultants:* Mr. Brody, Strategic Investment Solutions. *Retirees:* 0, *Public:* 0.

0112.2.1 **Oral Communications From the Board:** Ms. Settles reported the confidential CEO review survey had been sent out to the Board, *SamCERA* management and staff and three members of the County staff. The deadline for response is February 9. A report on results will be given at a future meeting.

Mr. Tashman watched a SACRS presentation and suggested rate stability and long term planning as a topic for future discussion.

Ms. Agnew stated she will be attending the Clifton Group luncheon and will be meeting with the presenters afterwards to discuss rebalancing and overlay strategies. She invited those who would be at the lunch meeting to join her.

0112.2.2 **Oral Communications From the Public:** None.

0112.3 **Approval of the Minutes:**

**Action:** Ms. Arnott moved to approve the minutes from the Regular Board of Retirement meeting held on December 13, 2011. The motion was seconded by Ms. Salas and carried unanimously without objection.

0112.4 **Approval of the Consent Agenda:** Ms. Agnew asked for a discussion regarding the Placement Agent Disclosure Report and it was removed from the consent agenda. An error was corrected in the list of retiree names, and Ms. Smith confirmed a disbursement amount for the Board.

**Action:** Ms. Agnew moved to approve the consent agenda, with the exception and correction as noted; the motion was seconded by Ms. Arnott and carried unanimously without objection.

**Disability Retirements:** The board found David Lewis permanently disabled from the duties of a Community Program Specialist II and granted survivor benefits, pursuant to Government Code Section 31762.

San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

**Service Retirements:**

<u>Member Name</u>	<u>Effective Retirement Date</u>	<u>Department</u>
Romero, Barbara	October 26, 2011	Correctional Health
Carbonel, Marisol	November 10, 2011	Def'd from Mental Health
Clare, Ronald	November 10, 2011	Human Services Agency
Blanchard, Larry	December 1, 2011	Aging & Adult Services
Buckwalter, Katherine	December 1, 2011	Probation
Jernigan, Deborah	December 1, 2011	San Mateo Medical Center
Prentiss, Diane	December 1, 2011	Def'd from San Mateo Medical Ctr

**Continuance of Benefits:**

<u>Survivor's Name</u>	<u>Beneficiary of:</u>
Jordan, Charles	Jordan, Charlotte
Morris, Peggy	Morris, Travoyie

**Deferred Retirements:**

<u>Member Name</u>	<u>Retirement Plan Type</u>
Boesch, David	Vested with Incoming Reciprocity
Bollentini, Danielle	G4 Vested
Guerrero, Ignacio	G2 Vested - Reciprocity
Filia, Richard	G4 Non Vested - Reciprocity
Ferris, Stephanie	G4 Non Vested - Reciprocity
Welch, Carolyn	G4 Vested - Reciprocity
Hansell, Mary	G2 Vested - Reciprocity
Siu, Wing-Yin	G4 Non Vested - Reciprocity
Alton, Angela	G2 Vested - auto defer Government Code §31700
Burg, Nadine	G4 Vested - auto defer Government Code §31700
Chiu, Deborah	G4 Vested - auto defer Government Code §31700
Schrader, Sarah	G4 Vested - auto defer Government Code §31700

**Member Account Refunds:**

<u>Member Name</u>	<u>Retirement Plan Type</u>
Eguilos, Teofilo	G4 Vested
Franchi, Shenay	G4 Non-vested
Francisco-Harra, Imee	G4 Non-vested
Granados, Michelle	G4 Vested
Hicks, Schynell	P4 Vested
Idea, Mateo	G4 Vested
Muckel, Eric	G4 Vested
Nau, Vaimoana	G4 Non-vested
Rios, Joline	G4 Non-vested

San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

**Member Account Rollovers:**

<u>Member Name</u>	<u>Retirement Plan Type</u>
Alsadir, Sadick	G4 Non-vested
Caldwell, Damion	G4 Non-vested
Campbell, Loretta	G4 Non-vested
Jardon, Gloria	G4 Non-vested

0112.5 **Benefit & Actuarial Services**

0112.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:**

Ms. Carlson presented the staff report and the Board discussed the Placement Agent Disclosure Report, which had been taken off the consent agenda. The item was tabled until the end of the meeting.

0112.5.2 **Adoption of Cost of Living Adjustments (COLAs) for 2012:** Mr. Hood presented the amended COLA figures as provided by Milliman. The text of the resolution considered is as follows:

Whereas, Government Code §31870, §31870.1, §31870.2 and §31874.4 empower the Board to grant cost of living adjustments on an annual basis to recipients of SamCERA benefits; and

Whereas, the Board has retained Milliman, Inc. to provide actuarial services to the Board; and  
Whereas, Milliman, Inc., by its letter dated January 24, 2011, and accompanying exhibits has reported the appropriate annual cost of living adjustments for members based on each member's retirement tier, date of retirement; and the applicable rules of the 1937 Act, therefore, be it

Resolved, that the Board adopts the schedules of cost of living adjustments set forth in the Milliman, Inc. letter dated January 24, 2011, addressed to Chief Executive Officer David Bailey from Milliman Consulting Actuary Nick J. Collier, and the letter's accompanying exhibits entitled "Plan 1 COLA Bank Accumulations, General and Safety" and "Plan 1 COLA Bank Accumulations, Probation." Be it further

Resolved, that the Board hereby adopts said cost of living adjustments effective April 1, 2011. Be it further

Resolved, that the Chief Executive Officer is hereby empowered to take all actions necessary to provide for the payment of cost of living adjustments in accordance with the adopted schedules.

**Action:** Mr. Bowler moved to adopt Resolution 11-12-14 approving the cost of living adjustments; effective April 1, 2012. The motion was seconded by Ms. Salas and carried unanimously without objection.

0112.6 **Investment Services:** Mr. Bowler reported the Investment Committee had met earlier on the same day. He reported on Items 6.1, 6.2, 6.3 and 6.4, and provided the Committee's recommendations to the Board.

San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

0112.6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Bowler reported the Investment Committee had received the monthly investment report.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	830,306,082	0.33	- 0.48	-1.47
International Equity	348,150,952	-1.64	-12.25	-4.37
Total Equity	1,178,457,034	-0.26	-4.25	-2.35
Private Equity	11,457,184	-0.64	-80.21	
Risk Parity	145,443,102	1.91		
Hedge Fund	67,967,565	-0.46		
Fixed Income	580,690,591	0.96	5.26	5.70
Real Estate Aggregate	138,282,516	0.00	13.38	-0.54
Commodities	65,911,934	-2.90		
Cash Equivalents	94,603,289	0.05	0.72	1.14
<b>TOTAL FUND</b>	<b>2,282,813,215</b>	<b>0.13</b>	<b>-0.06</b>	<b>0.32</b>
Benchmark		0.35	0.51	1.85

0112.6.2 **Approval of SamCERA's Template Investment Management Agreement:**  
**Action:** Ms. Arnott moved to approve the revised Investment Management Agreement template with inclusion of the placement agency policy as recommended by the Investment Committee. The motion was seconded by Ms. Salas and carried unanimously without objection.

0112.6.3 **Approval of SamCERA's Updated Investment Policy:**  
**Action:** Mr. Bowler moved to approve the amended investment policy, as recommended by the Investment Committee and reflecting the Committee's discussion on Section 13 – 17. The motion was seconded by Ms. Salas and carried unanimously without objection.

0112.6.4 **Discussion and Direction to Staff as to Process for Alternative Investment Review:** Mr. Bowler reported that after discussion, the Investment Committee recommends the Board direct staff to adopt a hybrid approach, keeping exempted materials and documents confidential, while continuing open deliberations; and requested that staff provide an annual report to reflect the position of other systems in regard to this matter, including case law or other changes. This item was for discussion and staff direction only, no action was taken.

0112.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda (con't):**  
 Ms. Smith provided the Board a copy of a Placement Agency Disclosure form and discussion continued regarding the Placement Agent Disclosure Report. Ms. Carlson indicated copies of actual disclosure forms can be included in future Placement Agent Disclosure Reports, in addition to the table.

**Action:** Ms. Settles moved to accept the report of information from the Placement Agency Disclosure forms and recommended that this report be placed on the consent agenda each month to ensure a timely reporting of information. The motion was seconded by Mr. David and carried with a vote of 6 -1, with Ms. Agnew dissenting.

San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

0112.7 **Board & Management Support Services**

0112.7.1 **Presentation of the Monthly Financial Report:** Mr. Clifton presented the monthly financial report to the Board.

0112.7.2 **Quarterly Budget Report:** Mr. Clifton reported that the Request for Proposals for the IT modernization project is moving forward.

0112.8 **Management Reports**

0112.8.1 **Chief Executive Officer/ AEO's Report:** Mr. Hood reported that LRWL was selected by staff as a result of the RFP to select a vendor for the IT Modernization Project. He will bring a contract to the Board at the next meeting. Succession planning for the CIO continues and the committee has been meeting. The draft agenda for the Board retreat was given to Board members and Mr. Hood requested feedback from the Board. A report on the status of elections and appointments of trustees will be on the next agenda. Mr. Hood announced several upcoming conferences, and asked Board members to alert staff if they were planning on attending any of the following or had questions: CALAPRS Roundtable, CALAPRS General Assembly, SACRS officer nomination, Pension Bridge, SACRS Spring Conference in May.

0112.8.3 **Chief Investment Officer's Report:** Mr. Clifton reported that SIS is working on two additional private equity managers.

0112.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported she was in the process of responding to two public records requests from news media organizations. She will be attending two conferences before the next meeting and will report about them on her return.

0112.9 **Report on Actions Taken in Closed Session:** There were no closed session items.

0112.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 2.23 p.m., in memory of the following deceased members:

Bangal, Fernand	June 14, 2011	Hospital
Kristensen, Kaare	October 21, 2011	Ben of Kristensen, Ruth
Quey, Betty	October 24, 2011	District Attorney
Glueck, Mary	November 3, 2011	Mental Health
Nugent Patricia	November 3, 2011	Social Services
Cohenour, Olive	November 5, 2011	Sheriff's Office
Floyd, Carol	November 9, 2011	Chope
Meyer, Virginia	November 14, 2011	Ben of Meyer, Alexander
Jordan, Charlotte	November 17, 2011	Human Services Agency
Lynds, Ada,	November 17, 2011	Ben of Lynds, Robert
Espanola, Angel	November 18, 2011	Public Works
Morrison, Barbara	November 20, 2011	Library
Sumner, Aimee	November 20, 2011	Mental Health
Morris, Travoyie	November 27, 2011	Environmental Health
Honda, Namiko	November 30, 2011	Sheriff's Office
Mack, Joan	November 30, 2011	Information Services



San Mateo County Employees' Retirement Association  
**Minutes of the Regular Meeting of the Board of Retirement**

Gonzalez, Maria	December 5, 2011	Controller
Wallis, Georgette	December 6, 2011	Sheriff's Office
Buffington, Lee	December 7, 2011	Tax Collector
Day, Nora	December 12, 2011	Probation
Frederick, Corieann	December 18, 2011	Human Service Agency
Manzo, Mary	December 19, 2011	District Attorney
Little, Mary	December 20, 2011	Elections
O'Brien, Marjorie	December 22, 2011	Hospital
Feldheim, Betty	December 25, 2011	Public Health
Majors, Amanda	December 25, 2011	Canyon Hospital
Andersen, John	December 29, 2011	Assessor

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Scott Hood  
Assistant Executive Officer

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Kristina Perez  
Retirement Executive Secretary

# Notice of Public Meeting



## Investment Committee

of the San Mateo County Employees' Retirement Association  
will meet in

**100 Marine Parkway, Suite 125, Redwood Shores**

**Tuesday, February 28, 2012, at 10:00 a.m.**

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Oral Communications From the Committee
- 4.0 Oral Communications From the Public
- 5.0 Approval of the Minutes
- 6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
  - 6.1 Acceptance of the Preliminary Monthly Portfolio Performance Report
  - 6.2 Acceptance of the Quarterly Investment Performance Analysis for Period Ended December 31, 2011
  - 6.3 Approval of Investment Management Agreement International Large Cap Growth Manager  
Baillie Gifford & Company – EAFE Plus Focus
  - 6.4 Approval of Investment Management Agreement International Small Cap Core Manager  
Pyramis Global Advisors – Select International Small Cap
  - 6.5 Approval of Investment Management Agreement International Large Cap Growth Manager  
Eaton Vance Management (Parametric) – Structures Emerging Markets Equity
  - 6.6 Approval of the Investment Committee's Work Plan for Fiscal Year 2012/2013
  - 6.7 Discussion and Approval of Potential Alternative Investment
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

A handwritten signature in blue ink that reads "Gary Clifton".

Gary Clifton, Chief Investment Officer

Printed: 2/22/12

**Be advised that the committees of the Board of Retirement  
are forums in which consensus may emerge.  
If you have an interest in a matter before a committee,  
you are advised to attend the committee meeting.  
Committee meeting times are noted on the board agenda.**

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact David Bailey at (650) 363-4930 at least three business days prior to the meeting, if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

# Notice of a Public Meetings



**THE COMMITTEE MEETS IN 100 MARINE PARKWAY, SUITE 125,**  
WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.  
Detailed directions are available on the "Contact Us" page of the website [www.samcera.org](http://www.samcera.org)  
*Free Parking is available in all lots in the vicinity of the building.*

**SamCERA**  
**100 Marine Parkway, Suite 125**  
**Redwood Shores, CA 94065**

*How to Find Us:*

**From Northbound 101** take the Ralston/ Marine World Parkway exit. Drive East on Marine Parkway toward the Bay.

**From Southbound 101** take the Ralston/ Marine World Parkway exit. Drive East over the freeway on Marine Parkway toward the Bay.

**From El Camino Real**, turn East toward the Bay on Ralston and drive over the freeway on Marine Parkway. (Ralston becomes Marine Parkway at 101.)

Twin Dolphin Drive is two stoplights beyond the freeway. The "Shores Center" sign on the lawn is located in front of our new home.

Continue on Marine Parkway one block beyond Twin Dolphin to Lagoon Drive. Note the 100 Marine granite monument with SamCERA logo near curb as you approach Lagoon Drive.

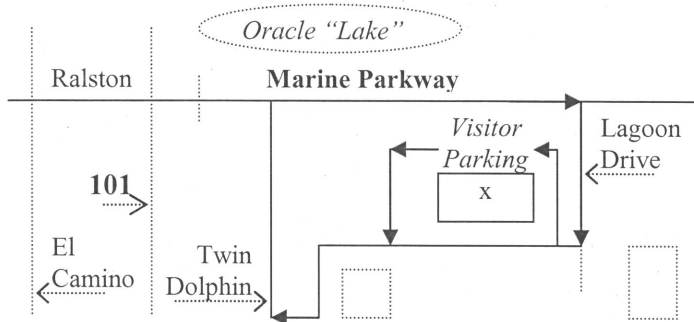
**From Marine Parkway turn Right on Lagoon Drive and then immediately take the next two Right turns into our parking lot.**

Park in the **Visitor spaces** on the Marine Parkway side of our building near the North Entrance.

SamCERA is in Suite 125 on the first floor, on your left just inside the North Entrance on the Marine Parkway side of the building.

SamCERA's Telephone Number: (650) 599-1234  
From a County Extension: Dial 1234  
From Outside the 650 Area Code: (800) 339-0761  
Web Site: [www.samcera.org](http://www.samcera.org)

*Our Office is Open Monday thru Thursday from 7:00 a.m. until 6:00 p.m.*



San Mateo County Employees' Retirement Association  
**Minutes of the Meeting of the Investment Committee**

February 28, 2012

Agenda Item 5.0

**January 24, 2012 – Investment Committee Agenda**

**PUBLIC SESSION**

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Oral Communications From the Committee
- 4.0 Oral Communications From the Public
- 5.0 Approval of the Minutes
- 6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
  - 6.1 Presentation of the Preliminary Monthly Portfolio Performance Report
  - 6.2 Approval of *SamCERA*'s Template Investment Management Agreement
  - 6.3 Approval of *SamCERA*'s Updated Investment Policy
  - 6.4 Discussion and Direction to Staff as to Process for Alternative Investment Review
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

**MINUTES OF *SAMCERA*'S Investment Committee Meeting - January 24, 2012**

- 1.0 **Call to Order:** Mr. Bowler called the Public Session of the Investment Committee of the Board of Retirement to order at 10:05 a.m., January 24, 2012, in *SamCERA*'s Board Room, Suite 160, 100 Marine Parkway, Redwood Shores, California.
- 2.0 **Roll Call:** Ms. Agnew, Mr. Bowler, Mr. David, and Mr. Hackleman. *Other Board Members In Attendance:* Mr. Murphy, Ms. Salas, Ms. Settles and Ms. Arnott. *Staff:* Mr. Hood, Mr. Clifton, Ms. Carlson, Ms. Meitz and Ms. Perez. *Consultants:* Mr. Brody and Mr. Thomas, Strategic Investment Solutions. *Public: None. Retirees: None.*
- 3.0 **Oral Communications From the Committee:** None.
- 4.0 **Oral Communications From the Public:** None.
- 5.0 **Approval of the Minutes:** As per Mr. Clifton, there were no Investment Committee minutes to approve.
- 6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Clifton presented the Preliminary Monthly Portfolio Performance report and noted no outstanding issues.

**Action: This agenda item is informational. It does not require committee action.**

Mr. Clifton requested that the Committee hear the agenda items out of order and asked the Chair to continue with item 6.4.

San Mateo County Employees' Retirement Association  
**Minutes of the Meeting of the Investment Committee**

- 6.4 **Discussion and Direction to Staff as to Process for Alternative Investment Review:** Ms. Carlson presented the staff report. The Committee discussed the disposition and distribution of confidential and proprietary materials; the exemptions for such documents allowed under the Public Records Act; and criteria for closed sessions and open meetings according to the Brown Act.

**Action:** Mr. Hackleman moved to recommend the Board direct staff to adopt a hybrid approach, keeping exempted materials and documents confidential, while continuing open deliberations; and requested that staff provide an annual report to reflect the position of other systems in regard to this matter, including case law or other changes. The motion was seconded by Mr. David and unanimously approved without objection.

- 6.2 **Approval of SamCERA's Template Investment Management Agreement:** Mr. Clifton presented the staff report, suggesting the Committee recommend Board approval of the revised Investment Management template including the placement agency policy. Committee members discussed questions about the draft agreement with Ms. Carlson and Mr. Clifton, clarifying terms and specific language. This matter will be brought to the full Board for action.

**Action** Mr. David moved that the Investment Committee recommend to the Board approval of the amended investment management agreement. The motion was seconded by Ms. Agnew and carried unanimously without objection.

- 6.3 **Approval of SamCERA's Updated Investment Policy:** Mr. Clifton presented the updated investment policy, and handed out a separate section regarding asset classes and definitions. The Committee discussed the goals of the policy and the need to examine and revise this policy periodically. Mr. Clifton's successor will be able to continue the process after April and there will be further discussions and revisions at that time.

**Action** Mr. David moved that the Investment Committee recommend to the Board approval of the amended investment policy. The motion was seconded by Ms. Agnew and carried unanimously without objection.

- 7.0 **Other Business:** None

- 8.0 **Chief Investment Officer's Report:** None

- 9.0 **Adjournment:** There being no further business, Mr. Bowler adjourned the committee meeting at 11:38 a.m.

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BENEDICT J. BOWLER  
INVESTMENT COMMITTEE CHAIR

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KRISTINA PEREZ  
RETIREMENT EXECUTIVE SECRETARY


SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager



Subject: Approval of Consent Agenda

***ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA.***

**Disability Retirements**

1. The Board finds that **Bret Holaday** is (1) disabled from performing his usual and customary duties as a Plumber, (2) finds that his disability is service-connected and (3) grants his application for a service-connected disability retirement.
2. The Board finds that **Angela Jabbour** is (1) disabled from performing her usual and customary duties as a Benefits Analyst II, (2) finds that her disability is service-connected and (3) grants her application for a service-connected disability retirement.
3. The Board further deliberates the application for **Chas Mercurio** and finds she is (1) disabled from performing her usual and customary duties as a Financial Services Manager II, (2) finds that her disability is service-connected and (3) grants her application for a service-connected disability retirement.
4. The Board approves and adopts the proposed findings and recommendations of the Hearing Officer, John Shupe, and denies **Kathleen Parkin's** service-connected disability retirement application.
5. The Board finds that **Christine Pepe** is (1) able to perform her duties as a Lead Deputy Court Clerk and (2) denies her application for a service-connected disability retirement.

**Service Retirements**

1. The Board ratifies the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Yagi, Mandy	December 3, 2011	Aging & Adult Services
Haley, Lisa	December 4, 2011	Def'd from San Mateo Medical Center
Larson, Teresa	December 8, 2011	Def'd from Environmental Health

Demeo, Suzanne	December 10, 2011	San Mateo Medical Center
Minor, Kathleen	December 10, 2011	Def'd from Public Health
Maharaj, Sadesh	December 13, 2011	San Mateo Medical Center
Cruz, Alfonso	December 15, 2011	San Mateo Medical Center
Dean, Donna	December 17, 2011	San Mateo Medical Center
O'Rourke, Dennis	December 29, 2011	Def'd from County Manager's Office
Meitz, Nilita	December 30, 2011	Retirement
Stanley, Eric	December 30, 2011	Sheriff's Office
Heisinger, Douglas	December 31, 2011	Parks Department
Scheffler, Mark	December 31, 2011	District Attorney

### **Continuances**

The Board ratifies the actions as listed below for the following members regarding continuances:

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Bishop, Simone	Bishop, Robert
Espanola, Aurea	Espanola, Angel
Quey, Daniel	Quey, Betty
Wallis, Roy	Wallis, Georgette

### **Deferred Retirements**

The Board ratifies the actions as listed below for the following members regarding deferred retirements:

<b>Member Name</b>	<b>Retirement Plan Type</b>
Mosaffa, Donya	G4 Vested
Onate, Joseph	G4 Vested - Reciprocity
Merson, Thomas	G4 Vested
Perez, Martha	G4 Vested
Blick, Suzanne	S4 Vested
Chuey, Mandy	G4 Vested
Condon, Sharon	G4 Vested
Reed, Mary	G4 Vested – Reciprocity
Garibay, Esther	G4 Vested - Reciprocity

**Member Account Refunds**

The Board ratifies the actions as listed below for the following members regarding refunds:

<b>Member Name</b>	<b>Retirement Plan Type</b>
Andrade, Donaldo	G4 Non-vested
Chun, Denise	G4 Non-vested
Gallagher-Gorman, Mary	G4 Non-vested
Johnson, Tamikka	G4 Non-vested
Miller, Brady	G4 Non-vested
McNeil, Nicole	G4 Non-vested
Trust of Lee Buffington	G2 Vested

**Member Account Rollovers**

The Board ratifies the actions as listed below for the following members regarding rollovers:

<b>Member Name</b>	<b>Retirement Plan Type</b>
Asencio, Deborah	G4 Non-vested
Encinas, Jeffrey	G2 Vested
Haslinger, Karen	QDRO of Haslinger, Brian
Kott, Joseph	G4 Non-vested
Kovacik, Paul	G4 Non-vested
Lam, Patrick	G4 Non-vested



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 4.0

**TO:** Board of Retirement



**FROM:** Scott Hood, Acting Chief Executive Officer

**SUBJECT:** Extension of Contract with Levi, Ray and Shoup, Inc for maintenance and support for PensionGold Software

**Staff Recommendation**

Adopt the attached resolution to authorizing the Chief Executive Officer to execute a second addendum to an agreement with Levi, Ray and Shoup, Inc for maintenance and support for PensionGold Software.

**Background**

*SamCERA* has been using PensionGold software for over 15 years and Levi Ray and Shoup Inc. has provided the maintenance and support for the software. *SamCERA's* current agreement with Levi, Ray and Shoup ends on June 30, 2012 and needs to be extended. The addendum changes the term of the contract and also makes the following changes:

- The proposed addendum extends the term of the agreement by 5 years to June 30, 2017.
- Presently, *SamCERA* pays an annual maintenance fee in one lump sum payment in June for the upcoming fiscal year. This fee, currently set at \$70,000, will be increased by 3% commencing with the June 30, 2012 payment, and 3% each year thereafter.
- The software support hours are removed from the agreement. These support services will be covered by the annual maintenance fee.
- If *SamCERA* terminates the PensionGold Version 1 M&S agreement prior to June 30, 2017 due to PensionGold Version 3 (formally known as PensionGold PE) being put into production at *SamCERA*, any unused full months of Version 1 M&S that *SamCERA* has provided LRS with payment for will be credited to the PensionGold Version 3 annual maintenance fee.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Board of Retirement**

- If *SamCERA* terminates the Version 1 M&S agreement prior to June 30, 2017 due to the implementation of another vendor's Pension Administration System any unused full months of Version 1 M&S that *SamCERA* has provided LRS with payment for will be credited to time and material data conversion services (using an hourly rate of \$165/hour).
- The hourly rate for Customizations/Enhancements will be \$165.00/hour for the entire new term (July 1, 2012 to June 30, 2017).

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE A  
SECOND ADDENDUM TO THE MAINTENANCE AND SUPPORT AGREEMENT FOR  
PENSIONGOLD SOFTWARE BETWEEN THE SAN MATEO COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION AND LEVI, RAY AND SHOUP, INC.**

**RESOLUTION 11-12-\_\_**

**WHEREAS**, in June 2008, the Board authorized an Agreement with Levi, Ray Shoup, Inc. for the maintenance and support agreement for PensionGold Software for the period from January July 1,2008 through June 30, 2012; and

**WHEREAS**, in October 2008, an Addendum was executed in order to clarify the services which were to be included in the maintenance fee; and;

**WHEREAS**, the Board has determined that it is in the best interest of *SamCERA* to extend the agreement by five years through June 30, 2017, and this Second Addendum to the Agreement has been presented to this Board for its consideration and acceptance, and the Board has approved it as to form and content and desires to enter into it; and now, therefore, be it

**RESOLVED**, that the Acting Chief Executive Officer is hereby authorized and directed to execute said Second Addendum To The Maintenance and Support Agreement for PensionGold Software between the San Mateo County Employees' Retirement Association And Levi, Ray Shoup, Inc; and

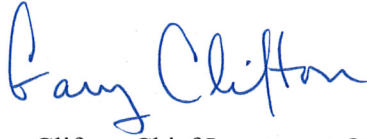
**BE IT FURTHER RESOLVED**, that the Chief Executive Officer is hereby authorized and directed to execute subsequent amendments and minor modifications in an amount not to exceed \$25,000.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 6.1

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Preliminary Monthly Portfolio Performance Report for the Period Ending **January 31, 2011**

COMMENT: This report is preliminary. Due to the timing of some portfolio returns, this report does not reflect the monthly performance of all portfolios. As of this writing, monthly performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, most private equity and Invesco's core real estate portfolios have not been reported. This report is intended to provide the reader with a broad view of the portfolio and trends. It is not intended to provide short term performance upon which the board would act.

The fund's preliminary return for the trailing twelve months is 2.18%. The twelve-month period is 557 basis points (bps) below the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 144 basis point behind *SamCERA's* Total Plan Policy Benchmark of 3.62%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

Equities rallied during the month as investors focused on positive developments in Europe, strong U.S. economic data and solid earnings results. Stocks advanced as the International Monetary Fund announced plans to raise up to \$500 billion in additional lending sources, while European Union leaders approved the implementation of the European Stability Mechanism, a permanent rescue fund. EU officials also agreed to sign a fiscal pact centered on preventing governments from incurring excessive deficits and generating unsustainable amounts of debt. These measures were viewed as a step in the right direction toward resolving the European debt crisis and eased concerns about a possible global contagion effect. Investors also reacted favorably to improving U.S. economic data. New orders for manufactured goods rose in December and orders for capital goods (excluding defense and aircraft) rebounded, as the U.S. economy ended the year with more momentum than expected. Markets also traded higher on strong corporate earnings in the financials sector, which signaled an improving environment for commercial banks and rising investor sentiment. Overall, volatility was less significant throughout the period and market movements were mostly positive, resulting in impressive gains for the month of January

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Below is an overview of the investment manager performance for selected periods:

Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	4.88%	5.48%	2.32%	4.01%
D.E. Shaw Investment Management, LLC	5.65%	7.11%	2.53%	5.26%
T. Rowe Price Associates	5.25%	5.70%	3.06%	4.78%
Barrow, Hanley, Mewhinney & Strauss	3.47%	4.93%	1.33%	1.51%
BlackRock Capital Management, Inc.	5.70%	2.61%	-4.25%	-4.23%
Large Cap Aggregate	4.93%	4.94%	0.55%	1.65%
The Boston Company	6.95%	11.07%	6.03%	6.11%
Chartwell Investment Partners	6.47%	8.16%	1.66%	9.32%
Jennison Associates	6.37%	6.58%	1.34%	5.72%
Small Cap Aggregate	6.53%	8.07%	2.55%	6.85%
Artio Global Investors	6.96%	-1.14%	-14.81%	-13.38%
Mondrian Investment Partners	3.07%	-1.09%	-7.18%	-4.17%
International Aggregate	4.87%	-1.11%	-10.94%	-8.75%
Total Equity	5.18%	3.59%	-2.83%	-0.92%
Aberdeen Asset Management	1.57%	2.71%	4.15%	9.02%
Angelo Gordon	0.00%	2.07%	-8.84%	-13.47%
Brigade Capital Management	2.44%	2.99%	1.57%	6.16%
Brown Brothers Harriman	2.15%	3.14%	6.09%	16.40%
Franklin Templeton	5.79%	1.11%	-2.29%	7.10%
Pyramis Global Advisors	1.27%	2.25%	4.01%	8.94%
Western Asset Management	-1.76%	-1.08%	0.37%	4.84%
Total Fixed Income	1.69%	1.70%	1.47%	6.66%
Private Equity (1)	0.77%	-10.01%	-6.92%	-80.06%
AQR's Global Risk Premium (Risk Parity)	0.00%	0.70%	-3.03%	N/A
AQR's Delta Fund (Hedge Fund)	0.00%	0.72%	-1.94%	N/A
SSgA/SSARIS Commodity	4.38%	-0.76%	-8.26%	N/A
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	0.00%	3.11%	5.29%	16.91%
Cash	0.06%	0.15%	0.29%	0.72%
Total Portfolio	3.26%	2.48%	-1.55%	2.18%

(1) As month end, *SamCERA* has committed to five private equity investments totaling \$80 million.

# San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending January 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>DOMESTIC EQUITY</b>													
BLACKROCK RUSSELL 1000 INDEX FUND	157,358,872	4.88	5.48	2.32	0.10	4.01	13.29	20.09	1.39	0.62	4.01	8.10	04/01/1995
DE SHAW INVESTMENT MGT, LLC	113,306,016	5.65	7.11	2.53	1.16	5.26	13.22					15.02	08/01/2009
RUSSELL 1000		4.87	5.47	2.29	0.07	3.95	13.22	20.01	1.31	0.55	3.97		
T. ROWE PRICE ASSOCIATES	111,655,839	5.25	5.70	3.06	1.27	4.78	12.72					14.21	08/01/2009
S&P 500		4.48	5.32	2.71	0.63	4.22	12.84					14.35	
BARROW HANLEY	156,308,896	3.47	4.93	1.33	-3.48	1.51	11.50					13.81	08/01/2009
RUSSELL 1000 VALUE		3.78	5.33	1.74	-1.63	1.88	11.28					13.42	
BLACKROCK	161,992,708	5.70	2.61	-4.25	-5.51	-4.23	11.26					12.64	08/01/2009
RUSSELL 1000 GROWTH		5.97	5.62	2.84	1.81	6.07	15.21					16.26	
LARGE CAP AGGREGATE	700,622,332	4.93	4.94	0.55	-1.85	1.65	11.86	18.44	0.51	-0.94	3.46	7.78	04/01/1995
RUSSELL 1000		4.87	5.47	2.29	0.07	3.95	13.22	20.01	1.31	0.55	3.97	8.08	
BOSTON COMPANY ASSET MGT, LLC	51,244,304	6.95	11.07	6.03	2.64	6.11	14.29					16.45	08/01/2009
RUSSELL 2000 VALUE		6.65	8.10	0.44	-2.88	0.73	13.69					15.36	
CHARTWELL INVESTMENT MGMT	59,862,364	6.47	8.16	1.66	-1.11	9.32	22.95	28.04	4.27	3.46		6.43	12/01/2004
RUSSELL 2000 GROWTH		7.48	6.67	0.02	-3.90	4.94	18.75	25.16	5.22	3.19		5.40	
JENNISON ASSOCIATES	102,708,929	6.37	6.58	1.34	-2.50	5.72	20.48	27.62				7.81	04/01/2008
SMALL CAP AGGREGATE	213,815,597	6.53	8.07	2.55	-0.92	6.85	19.71	28.92	3.43	-1.01	5.06	5.11	07/01/1999
RUSSELL 2000		7.07	7.38	0.22	-3.40	2.86	16.24	23.03	4.14	1.19	6.45	5.83	
DOMESTIC EQUITY AGGREGATE	914,437,929	5.32	5.69	1.01	-1.66	2.76	13.47	20.39	1.16	-0.87	3.82	7.05	07/01/1995
SAMCERA DOMESTIC EQUITY BENCHMARK		5.38	5.91	1.85	-0.70	3.75	13.81	20.63	1.91	0.72	4.52		

**San Mateo County**

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Periods Ending January 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>INTERNATIONAL EQUITY</b>													
ARTIO GLOBAL INVESTOR	172,352,281	6.96	-1.14	-14.81	-15.50	-13.38	-0.44	9.66	-8.20	-5.86		2.93	12/01/2004
MSCI/ACWI ex US GROWTH (GROSS)		6.45	-0.23	-10.92	-11.42	-7.91	5.19	16.57	-2.89	-0.70		5.49	
MONDRIAN INVESTMENT PARTNERS	192,750,793	3.07	-1.09	-7.18	-8.15	-4.17	4.38	13.92	-2.77	-1.40		5.47	12/01/2004
MSCI/ACWI EX US VALUE (GROSS)		7.16	0.77	-8.82	-10.75	-8.78	3.20	17.87	-2.87	-1.87		5.38	
TOTAL INTERNATIONAL EQUITY	365,103,074	4.87	-1.11	-10.94	-11.77	-8.75	2.01	11.82	-5.46	-3.60	5.49	5.28	10/01/1996
MSCI/AC WORLD ex US (GROSS)		6.81	0.26	-9.88	-11.09	-8.34	4.22	17.22	-2.86	-1.26	7.93	5.22	
TOTAL EQUITY AGGREGATE	1,279,541,003	5.18	3.59	-2.83	-4.89	-0.92	9.79	17.73	-0.87	-1.72	4.10	6.77	04/01/1995
SAMCERA TOTAL EQUITY BENCHMARK		5.86	3.99	-2.25	-4.30	-0.47	10.59	19.49	0.40	0.04	5.21		
<b>PRIVATE EQUITY</b>													
ABRY ADVANCED SEC II LP	4,942,986	0.00	-16.62	-16.41	-16.46							-26.73	06/01/2011
ABRY PARTNERS VII LP	2,000,891	0.00	-9.58									0.45	09/01/2011
GENERAL CATALYST GROUP	100,000												01/01/2012
REGIMENT CAPITAL FUND	2,545,605	3.59	0.70	2.95								2.95	08/01/2011
SHERIDAN PRODUCTION PARTNERS	2,056,000	0.00	-7.84	5.88	5.88	-75.80						-83.90	11/01/2010
RUSSELL 3000 + 3%		5.29	6.39	3.64	1.52	6.97						14.31	
TOTAL PRIVATE EQUITY	11,645,483	0.77	-10.01	-6.92	-9.16	-80.06						-86.20	11/01/2010
PRIVATE EQUITY BENCHMARK		5.29	6.39	3.64	1.52	6.97							
<b>RISK PARITY</b>													
AQR GLOBAL RISK PREM III LP	145,443,060	-0.00	0.70	-3.03	0.08							4.23	03/01/2011

**San Mateo County**

Summary of Fund Performance With 4 Years  
Rates of Return Total  
Periods Ending January 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Month	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
TOTAL RISK PARITY	145,443,060	-0.00	0.70	-3.03	0.08							4.23	03/01/2011
RISK PARITY BENCHMARK		3.38	4.14	3.30	2.54	6.14							
<b>HEDGE FUND</b>													
AQR DELTA FUND II, L.P.	67,967,550	-0.00	0.72	-1.94	-2.40							-2.33	06/01/2011
LIBOR + 4%		0.35	1.06	2.11	2.46							2.81	
HEDGE FUND COMPOSITE	67,967,550	-0.00	0.72	-1.94	-2.40							-2.33	06/01/2011
LIBOR + 4%		0.35	1.06	2.11	2.46							2.81	
<b>COMMODITIES</b>													
SSGA MULTISOURCE ACT COMM NL	68,801,601	4.38	-0.76	-8.26								-8.26	08/01/2011
TOTAL COMMODITIES	68,801,601	4.38	-0.76	-8.26								-8.26	08/01/2011
DJ-JBS COMMODITY		2.47	-3.56	-11.46								-11.46	
<b>DOMESTIC FIXED INCOME</b>													
ABERDEEN ASSET MANAGEMENT	108,916,252	1.57	2.71	4.15	5.94	9.02	8.67	12.49	4.69	5.05	5.28	6.19	06/01/2000
ANGELO GORDON GECC PPI FUND	33,507,651	0.00	2.07	-8.84	-10.23	-13.47	9.66					12.91	12/01/2009
PYRAMIS GLOBAL ADVISORS	109,248,149	1.27	2.25	4.01	5.68	8.94	8.09	11.31	7.37	6.98		6.60	02/01/2006
WESTERN ASSET MGMT	103,654,749	-1.76	-1.08	0.37	1.89	4.84	7.19	11.47	5.95	5.95		5.50	11/01/2004
BC AGGREGATE		0.88	1.90	4.25	5.90	8.66	6.85	7.40	6.17	6.70	5.78		
BRIGADE CAPITAL MANAGEMENT	51,424,020	2.44	2.99	1.57	2.56	6.16						9.28	08/01/2010
BC BA INTERMEDIATE HIGH YIELD INDEX		2.42	3.15	2.90	4.32	7.24						9.40	
BROWN BROTHERS HARRIMAN & CO	79,393,967	2.15	3.14	6.09	10.24	16.40						11.86	08/01/2010
BARCLAYS US TIPS INDEX		2.35	3.24	5.93	10.22	16.49						12.03	



**San Mateo County**

Summary of Fund Performance With 4 Years  
Rates of Return Total  
Periods Ending January 31, 2012



STATE STREET

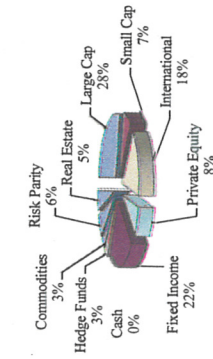
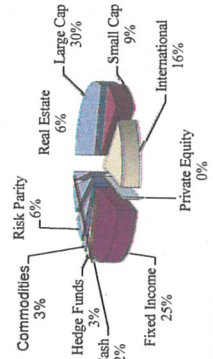
	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>INTERNATIONAL FIXED INCOME</b>													
FRANKLIN TEMPLETON INVESTMENTS	104,585,676	5.79	1.11	-2.29	-1.47	7.10						4.25	01/01/2011
BC MULTIVERSE		1.74	0.64	0.79	2.82	7.13						6.79	
<b>TOTAL FIXED INCOME</b>													
TOTAL FIXED INCOME AGGREGATE	590,730,464	1.69	1.70	1.47	2.89	6.66	8.09	11.88	6.10	6.08	5.73	6.07	01/01/1996
SAMCERA TOTAL FIXED INCOME BENCH		1.46	1.95	3.86	6.17	9.92	7.56	7.87	6.53	6.98	5.93	6.03	
<b>REAL ESTATE</b>													
INVESCO REAL ESTATE	142,552,672	0.00	3.11	5.29	5.29	16.91	16.80	-2.56	-3.05	0.07		5.89	10/01/2004
TOTAL REAL ESTATE AGGREGATE	142,552,672	0.00	3.11	5.29	5.29	16.91	16.80	-2.56	-3.05	0.07	6.95	7.59	01/01/1997
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	3.02	6.41	6.41	15.04	15.59	-2.51	-3.52	0.08	6.47	7.47	
<b>CASH EQUIVALENTS</b>													
SAMCERA GENERAL ACCOUNT	15,373,457	0.01	0.03	0.06	0.06	0.39	0.30	0.33	0.80	1.68	2.11	2.73	07/01/1999
SAMCERA TREASURY & LAIF	29,391,971	0.07	0.23	0.50	0.57	1.04	1.08	1.17	0.12	0.99	2.06	3.40	07/01/1994
TOTAL CASH AGGREGATE	44,765,428	0.06	0.15	0.29	0.36	0.72	0.90	1.03	0.21	1.06	2.05	2.64	07/01/1999
91 DAY T-BILL		-0.00	-0.00	0.02	0.01	0.09	0.11	0.15	0.49	1.40	1.94	2.59	
<b>TOTAL FUND</b>													
TOTAL FUND	2,351,447,260	3.26	2.48	-1.55	-2.21	2.18	9.60	13.92	1.14	0.77	5.01	6.11	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		4.14	3.40	0.45	-0.29	3.62	10.79	15.60	2.53	2.51	5.87	6.44	
ACTUARIAL DISCOUNT RATE		0.62	1.88	3.80	4.45	7.75	7.75	7.75	7.75	7.75	7.90		

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Actual versus Target Allocation

Portfolio	Market Value	Current	Allocation Target *	Percentage Off Target	Rebalance Range
BlackRock Russell 1000	\$157,358,872	6.69%	6.50%	0.19%	±3%
D.E. Shaw Investment Management, LLC	\$113,306,016	4.82%	4.25%	0.57%	±3%
T. Rowe Price Associates	\$111,655,839	4.75%	4.25%	0.50%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$156,308,896	6.65%	6.50%	0.15%	±3%
BlackRock Capital Management, Inc.	\$161,992,708	6.89%	6.50%	0.39%	±3%
<b>Large Cap Aggregate</b>	<b>\$700,622,331</b>	<b>29.80%</b>	<b>28.00%</b>	<b>1.80%</b>	
The Boston Company	\$51,244,304	2.18%	1.75%	0.43%	±3%
Chartwell Investment Partners	\$59,862,364	2.55%	1.75%	0.80%	±3%
Jenkinson Associates	\$102,708,929	4.37%	3.50%	0.87%	±3%
<b>Small Cap Aggregate</b>	<b>\$213,815,597</b>	<b>9.09%</b>	<b>7.00%</b>	<b>2.09%</b>	
Artio Global Investors	\$172,352,281	7.33%	9.00%	-1.67%	±3%
Mondrian Investment Partners	\$192,750,793	8.20%	9.00%	-0.80%	±3%
<b>International Aggregate</b>	<b>\$365,103,074</b>	<b>15.53%</b>	<b>18.00%</b>	<b>-2.47%</b>	
<b>Total Equity</b>	<b>\$1,279,541,002</b>	<b>54.42%</b>	<b>53.00%</b>	<b>1.42%</b>	
Aberdeen Asset Management	\$108,916,252	4.63%	3.75%	0.88%	±2%
Angelo Gordon	\$33,507,651	1.42%	1.63%	-0.20%	±2%
Brigade Capital Management	\$51,424,020	2.19%	1.63%	0.56%	±2%
Brown Brothers Harriman	\$79,393,967	3.38%	3.00%	0.38%	±2%
Franklin Templeton	\$104,585,676	4.45%	4.50%	-0.05%	±2%
Pyramis Global Advisors	\$109,248,149	4.65%	3.75%	0.90%	±2%
Western Asset Management Company	\$103,654,749	4.41%	3.75%	0.66%	±2%
<b>Total Fixed Income</b>	<b>\$590,730,464</b>	<b>25.12%</b>	<b>22.00%</b>	<b>3.12%</b>	
Private Equity	\$11,645,483	0.50%	8.00%	-7.50%	N/A
AQR Global Risk Premium	\$145,443,060	6.19%	6.00%	0.19%	N/A
AQR Delta Fund (Hedge Fund)	\$67,967,550	2.89%	3.00%	-0.11%	N/A
SSGA/SSARIS Multisource Commodities	\$68,801,601	2.93%	3.00%	-0.07%	N/A
<b>Alternative Investments</b>	<b>\$293,857,694</b>	<b>12.50%</b>	<b>20.00%</b>	<b>-7.50%</b>	
INVESCO Realty Advisors	\$142,552,672	6.06%	5.00%	1.06%	±2%
Cash	\$44,765,428	1.90%	0.00%	1.90%	
<b>Total</b>	<b>\$2,351,447,260</b>	<b>100.00%</b>	<b>100.00%</b>		

\* SamCERA is in the process of implementing alternative asset allocations. As the allocation is being implemented,



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Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	Change (I)	% Change (I)	Prior Year	% Change (I)
BlackRock Russell 1000	\$157,358,872	\$111,943,829	40.6%		\$245,585,489	-35.9%
D.E. Shaw Investment Management, LLC	\$113,306,016	\$107,249,502	5.6%		\$107,640,681	5.3%
T. Rowe Price Associates	\$111,655,839	\$106,087,718	5.2%		\$106,560,729	4.8%
Barrow, Hanley, Mewhinney & Strauss	\$156,308,896	\$151,059,620	3.5%		\$164,109,556	-4.8%
BlackRock Capital Management, Inc.	\$161,992,708	\$153,262,309	5.7%		\$169,148,820	-4.2%
Large Cap Aggregate	\$700,622,331	\$629,602,977	11.3%		\$793,045,276	-11.7%
The Boston Company	\$51,244,304	\$47,915,813	6.9%		\$48,294,361	6.1%
Chartwell Investment Partners	\$59,862,364	\$56,225,857	6.5%		\$54,759,142	9.3%
Jennison Associates	\$102,708,929	\$96,561,435	6.4%		\$114,418,987	-10.2%
Small Cap Aggregate	\$213,815,597	\$200,703,105	6.5%		\$217,472,491	-1.7%
Artio Global Investors	\$172,352,281	\$161,138,011	7.0%		\$218,293,737	-21.0%
Mondrian Investment Partners	\$192,750,793	\$187,012,941	3.1%		\$220,089,829	-12.4%
International Aggregate	\$365,103,074	\$348,150,952	4.9%		\$438,383,566	-16.7%
Total Equity	\$1,279,541,002	\$1,178,457,034	8.6%		\$1,448,901,332	-11.7%
Aberdeen Asset Management	\$108,916,252	\$107,232,293	1.6%		\$128,833,071	-15.5%
Angelo Gordon	\$33,507,651	\$33,278,699	0.7%		\$38,088,824	-12.0%
Brigade Capital Management	\$51,424,020	\$50,200,740	N/A		\$47,341,620	8.6%
Brown Brothers Harriman	\$79,393,967	\$77,726,446	N/A		\$45,974,257	72.7%
Franklin Templeton	\$104,585,676	\$98,864,178	N/A		\$97,105,407	7.7%
Pyramis Global Advisors	\$109,248,149	\$107,873,959	1.3%		\$129,618,079	-15.7%
Western Asset Management Company	\$103,654,749	\$105,514,276	-1.8%		\$133,002,104	-22.1%
Total Fixed Income	\$590,730,464	\$580,690,591	1.7%		\$619,963,362	-4.7%
Private Equity	\$11,645,483	\$11,607,184	0.3%		\$250,000	4558.2%
Risk Parity	\$145,443,060	\$142,768,780	1.9%		\$0	N/A
Hedge Funds	\$67,967,550	\$68,338,060	-0.5%		\$0	N/A
Comodities	\$68,801,601	\$65,911,934	N/A		\$0	N/A
Alternative Investments	\$293,857,694	\$288,625,958	1.8%		\$250,000	N/A
INVESCO Realty Advisors	\$142,552,672	\$138,282,516	3.1%		\$122,302,877	16.6%
Cash	\$44,765,428	\$94,603,289	-52.7%		\$60,002,894	-25.4%
Total	\$2,351,447,260	\$2,280,659,388	3.1%		\$2,251,420,465	4.4%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	54.4%	51.7%	2.7%	64.4%	-9.9%
Total Fixed Income	25.1%	25.5%	-0.3%	27.5%	-2.4%
Alternative Investments	12.5%	12.7%	-0.2%	0.0%	12.5%
Real Estate	6.1%	6.1%	0.0%	5.4%	0.6%
Cash	1.9%	4.1%	-2.2%	2.7%	-0.8%
Total	100.0%	100.0%		100.0%	

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Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1)		Two Years	Three Years	Five Years	Ten Years
						Seven Months	Months				
Equity Aggregate	\$1,279,541,002	5.18%	3.59%	-2.83%	-0.92%	-4.89%	9.79%	17.73%	-1.72%	4.10%	
Equity Composite Benchmark		5.86%	3.99%	-2.25%	-0.47%	-4.30%	10.59%	19.49%	0.04%	5.21%	
<b>Variance</b>		<b>-0.68%</b>	<b>-0.40%</b>	<b>-0.58%</b>	<b>-0.45%</b>	<b>-0.59%</b>	<b>-0.80%</b>	<b>-1.76%</b>	<b>-1.76%</b>	<b>-1.11%</b>	
Private Equity Aggregate	\$11,645,483	0.77%	-10.01%	-6.92%	-80.06%	-9.16%	N/A	N/A	N/A	N/A	
Private Equity Composite Benchmark		5.29%	6.39%	3.64%	6.97%	1.52%	N/A	N/A	N/A	N/A	
<b>Variance</b>		<b>-4.52%</b>	<b>-16.40%</b>	<b>-10.56%</b>	<b>N/A</b>	<b>-10.68%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
Risk Parity Aggregate	\$145,443,060	0.00%	0.00%	-3.03%	N/A	0.08%	N/A	N/A	N/A	N/A	
Risk Parity Benchmark (60/40 Portfolio)		3.38%	4.14%	3.30%	N/A	2.54%	N/A	N/A	N/A	N/A	
<b>Variance</b>		<b>-3.38%</b>	<b>-4.14%</b>	<b>-6.33%</b>	<b>N/A</b>	<b>-2.46%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
Hedge Fund Aggregate	\$67,967,550	0.00%	0.72%	-1.94%	N/A	-2.40%	N/A	N/A	N/A	N/A	
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.06%	2.11%	N/A	2.46%	N/A	N/A	N/A	N/A	
<b>Variance</b>		<b>-0.35%</b>	<b>-0.34%</b>	<b>-4.05%</b>	<b>N/A</b>	<b>-4.86%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
Commodities	\$68,801,601	4.38%	-0.76%	-8.26%	N/A	N/A	N/A	N/A	N/A	N/A	
DJ - UBS Commodity Benchmark		2.47%	-3.56%	-11.46%	N/A	N/A	N/A	N/A	N/A	N/A	
<b>Variance</b>		<b>1.91%</b>	<b>2.80%</b>	<b>3.20%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
Fixed Income Aggregate	\$590,730,464	1.69%	1.70%	1.47%	6.66%	2.89%	8.09%	11.88%	6.08%	5.73%	
Fixed Income Composite Benchmark		1.46%	1.95%	3.86%	9.92%	6.17%	7.56%	7.87%	6.98%	5.93%	
<b>Variance</b>		<b>0.23%</b>	<b>-0.25%</b>	<b>-2.39%</b>	<b>-3.26%</b>	<b>-3.28%</b>	<b>0.53%</b>	<b>4.01%</b>	<b>-0.90%</b>	<b>-0.20%</b>	
Real Estate Aggregate (2)	\$142,552,672	0.00%	3.11%	5.29%	16.91%	5.29%	16.80%	-2.56%	0.07%	6.95%	
NCREIF NFI ODCE EW (Gross)		0.00%	3.02%	6.41%	15.04%	6.41%	15.59%	-2.51%	0.08%	6.47%	
<b>Variance</b>		<b>0.00%</b>	<b>0.00%</b>	<b>-1.12%</b>	<b>1.87%</b>	<b>-1.12%</b>	<b>1.21%</b>	<b>-0.05%</b>	<b>-0.01%</b>	<b>0.48%</b>	
Cash Aggregate	\$44,765,428	0.06%	0.15%	0.29%	0.72%	0.36%	0.90%	1.03%	1.06%	2.05%	
91 Day Treasury Bill		0.00%	0.00%	0.02%	0.09%	0.01%	0.11%	0.15%	1.40%	1.94%	
<b>Variance</b>		<b>0.06%</b>	<b>0.15%</b>	<b>0.27%</b>	<b>0.63%</b>	<b>0.35%</b>	<b>0.79%</b>	<b>0.88%</b>	<b>-0.34%</b>	<b>0.11%</b>	
Total Fund Returns	\$2,351,447,260	3.26%	2.48%	-1.55%	2.18%	-2.21%	9.60%	13.92%	0.77%	5.01%	
Total Plan Policy Benchmark		4.14%	3.40%	0.45%	3.62%	-0.29%	10.79%	15.60%	2.51%	5.87%	
<b>Variance</b>		<b>-0.88%</b>	<b>-0.92%</b>	<b>-2.00%</b>	<b>-1.44%</b>	<b>-1.92%</b>	<b>-1.19%</b>	<b>-1.68%</b>	<b>-1.74%</b>	<b>-0.86%</b>	

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,351,447,260	3.26%	2.48%	-1.55%	2.18%	-2.21%	9.60%	13.92%	0.77%	5.01%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	4.45%	7.75%	7.75%	7.75%	7.90%
<b>Variance</b>		<b>2.64%</b>	<b>0.60%</b>	<b>-5.35%</b>	<b>-5.57%</b>	<b>-6.66%</b>	<b>1.85%</b>	<b>6.17%</b>	<b>-6.98%</b>	<b>-2.89%</b>

(1) SincERA's Fiscal Year is 7/1 through 6/30

(2) The Real Estate Aggregate prior to 12/99 includes REIT returns

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 Manager & Benchmark Performance

Portfolio	Manager Performance						Fiscal Year to Date	
	One Month	Three Months	Six Months	Trailing Twelve Months	Seven Months	Ten Years		
BlackRock Russell 1000	4.88%	5.48%	2.32%	4.01%	1.39%	20.09%	0.62%	4.01%
D.E. Shaw Investment Management, LLC	5.65%	7.11%	2.53%	5.26%	1.16%	N/A	N/A	N/A
T. Rowe Price Associates	5.25%	5.70%	3.06%	4.78%	1.27%	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	3.47%	4.93%	1.33%	1.31%	-3.46%	N/A	N/A	N/A
BlackRock Capital Management, Inc.	5.70%	2.61%	-4.25%	-4.23%	-5.51%	N/A	N/A	N/A
Large Cap Aggregate	4.93%	4.94%	1.65%	1.65%	-1.85%	18.44%	0.51%	-0.94%
The Boston Company	6.95%	11.07%	6.03%	6.11%	2.64%	N/A	N/A	N/A
Charwell Investment Partners	6.47%	8.16%	1.66%	9.32%	-1.11%	28.04%	4.27%	3.46%
Jennison Associates	6.37%	6.58%	1.34%	5.72%	-2.50%	20.48%	27.62%	N/A
Small Cap Aggregate	6.53%	8.07%	2.55%	6.85%	-0.92%	28.92%	3.43%	-1.01%
Ario Global Investors	6.90%	-1.14%	-14.81%	-13.38%	-15.50%	9.66%	-8.20%	-5.86%
Mondrian Investment Partners	3.07%	-1.09%	-7.18%	-8.75%	-8.15%	4.38%	13.92%	-2.77%
International Aggregate	4.87%	-1.11%	-10.94%	-8.75%	-11.77%	2.01%	11.82%	-5.46%
Total Equity	5.18%	3.59%	-2.83%	-0.92%	-4.89%	9.79%	17.73%	-1.72%
Aberdeen Asset Management	1.57%	2.71%	4.15%	9.02%	5.94%	8.67%	12.49%	4.69%
Angelo Gordon	0.00%	2.07%	-8.84%	-13.47%	-10.23%	9.66%	N/A	N/A
Brigade Capital Management	2.44%	2.99%	1.57%	6.16%	2.56%	N/A	N/A	N/A
Brown Brothers Harriman	2.15%	3.14%	6.09%	16.40%	10.24%	N/A	N/A	N/A
Franklin Templeton	5.79%	1.11%	-2.29%	-1.47%	-1.47%	7.10%	N/A	N/A
Pyramis Global Advisors	1.27%	2.25%	4.01%	8.94%	5.68%	8.09%	11.31%	7.37%
Western Asset Management Company	-1.76%	-1.08%	0.37%	4.84%	1.89%	7.19%	11.47%	5.95%
Total Fixed Income	1.69%	1.70%	1.47%	6.66%	2.89%	8.09%	11.88%	6.10%
Private Equity	0.77%	-10.01%	-6.92%	-80.06%	-9.16%	N/A	N/A	N/A
Risk Parity	0.00%	0.70%	-3.03%	N/A	0.08%	N/A	N/A	N/A
Hedge Funds	0.00%	0.72%	-1.94%	N/A	-2.40%	N/A	N/A	N/A
Commodities	4.38%	-0.76%	-8.26%	N/A	N/A	N/A	N/A	N/A
Alternative Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
INVESTCO Realty Advisors	0.00%	3.11%	5.29%	16.91%	5.29%	16.80%	-2.56%	-3.05%
Cash	0.06%	0.15%	0.29%	0.72%	0.36%	0.90%	1.03%	0.21%
Total	3.26%	2.48%	-1.55%	2.18%	-2.21%	9.60%	13.92%	1.14%

Benchmark Performance

Russell 1000	4.87%	5.47%	2.29%	3.95%	0.07%	13.22%	20.01%	1.31%	0.55%	3.97%
S&P 500	4.48%	5.32%	2.71%	4.22%	0.63%	12.84%	N/A	N/A	N/A	N/A
Russell 1000 Value	3.78%	5.33%	1.74%	1.88%	-1.63%	11.28%	N/A	N/A	N/A	N/A
Russell 1000 Growth	5.97%	5.62%	2.84%	6.07%	1.81%	15.21%	N/A	N/A	N/A	N/A
Russell 2000	7.07%	7.38%	0.22%	2.86%	-3.40%	16.24%	23.03%	4.14%	1.19%	6.45%
Russell 2000 Value	6.65%	8.10%	0.44%	0.73%	-2.88%	13.69%	N/A	N/A	N/A	N/A
Russell 2000 Growth	7.48%	6.67%	0.02%	4.94%	-3.90%	18.75%	25.16%	5.22%	3.19%	N/A
MSCI ACWI ex US (Gross)	6.81%	0.26%	-9.88%	-8.34%	-11.09%	4.22%	17.22%	-2.86%	-1.06%	7.93%
MSCI ACWI ex US Growth (Gross)	6.45%	-0.23%	-10.92%	-7.91%	-11.42%	5.19%	16.57%	-2.89%	0.70%	N/A
MSCI ACWI ex US Value (Gross)	7.16%	0.77%	-8.82%	-8.78%	-10.75%	3.20%	17.87%	-2.87%	-1.87%	N/A
Russell 3000 + 3% (Private Equity)	5.29%	6.39%	3.64%	6.97%	1.52%	6.97%	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	3.38%	4.14%	3.30%	6.14%	2.54%	N/A	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.35%	1.06%	2.11%	N/A	2.46%	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	2.47%	-3.56%	-11.46%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	0.88%	1.90%	4.25%	8.65%	5.90%	8.60%	7.40%	6.17%	6.70%	5.78%
Barclays U.S. TIPS Index	2.35%	3.24%	5.93%	16.49%	10.22%	16.49%	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	2.42%	3.15%	2.90%	7.24%	4.32%	7.24%	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	0.00%	0.64%	0.79%	7.13%	2.82%	7.13%	N/A	N/A	N/A	N/A
NCREIF NFOCE EW (Gross)	0.00%	3.02%	6.41%	15.04%	6.41%	15.59%	-2.51%	-3.52%	0.08%	6.47%
91 Day Treasury Bill	0.00%	0.00%	0.02%	0.09%	0.01%	0.09%	0.11%	0.50%	0.49%	1.94%
SamCERA Plan Policy Benchmark	4.14%	3.40%	0.45%	3.62%	-0.29%	10.79%	15.60%	2.53%	2.51%	5.87%
SamCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	4.45%	7.75%	7.75%	7.75%	7.75%	7.90%

(1) SamCERA Fiscal Year is 7/1 through 6/30  
 (2) Refer to page 13 for benchmark details

San Mateo County Employees' Retirement Association  
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 Period Ending January 31, 2012

Realized & Unrealized Gain / (Loss)

Portfolio	Beginning Book Balance As of 07/01/2011	Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Book Balance As of 01/31/2012	Prior Years		Ending Market Value As of 01/31/2012
					Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	
BlackRock Russell 1000	\$116,239,675.42	4,747,118	15,000,000	\$135,986,793.01	\$25,789,141	(\$4,417,062)	\$157,358,872
D.E. Shaw Investment Management LLC	\$104,437,429.03	931,958		\$105,369,387.39	\$7,566,467	\$370,162	\$113,306,016
T. Rowe Price Associates	\$90,671,733.96	2,551,816		\$93,223,550.27	\$19,588,947	(\$1,156,658)	\$111,655,859
Barrow Hanley	\$137,062,910.95	2,996,606	(10,000,000)	\$130,059,517.33	\$35,541,811	(\$9,292,432)	\$156,308,896
BlackRock	\$137,507,026.05	(1,590,458)		\$135,916,568.14	\$33,938,711	(\$7,862,571)	\$161,992,708
The Boston Company	\$42,422,535.09	2,242,166		\$44,664,700.73	\$7,503,042	(\$923,458)	\$51,244,304
Chartwell Investment Partners	\$49,714,955.60	894,840		\$50,609,795.74	\$10,820,841	(\$1,568,273)	\$59,862,364
Jennison Associates	\$96,873,436.26	2,182,458	(15,000,000)	\$84,055,893.79	\$27,187,483	(\$8,334,448)	\$102,708,929
Artio Global Investors	\$176,118,388.38	(10,954,931)		\$165,163,457.71	\$27,844,377	(\$20,655,554)	\$172,352,281
Mondrian Investment Partners	\$199,643,052.25	6,702,983		\$206,346,035.35	\$10,221,090	(\$23,816,333)	\$192,750,793
Aberdeen Asset Management	\$121,263,066.81	5,985,976	(20,000,000)	\$107,249,043.14	\$1,082,815	\$584,394	\$108,916,252
Angelo Gordon	\$30,056,249.00		(1,417,500)	\$28,638,749.00	\$8,809,096	(\$3,940,193)	\$33,507,651
Bridge Capital Management	\$45,000,000.00			\$45,000,000.00	\$5,141,745	\$1,282,275	\$51,424,020
Brown Brothers Harriman	\$47,586,488.24	2,056,039	25,000,000	\$74,642,527.20	\$958,745	\$3,792,695	\$79,393,967
Franklin Templeton Investments	\$102,493,815.00	2,166,780		\$104,660,595.15	\$3,650,077	(\$3,724,996)	\$104,585,676
Pyramis Global Advisors	\$81,745,258.37	2,979,775	(10,000,000)	\$74,725,033.69	\$31,162,641	\$3,360,475	\$109,248,149
Western Asset Management Company	\$116,975,047.04	4,359,138	(15,000,000)	\$106,334,185.19	(\$601,561)	(\$2,077,875)	\$103,654,749
Private Equity (Sheridan & ABRV)	\$3,327,419.00	(991,249)	9,309,312	\$11,645,482.67	\$0	\$0	\$11,645,483
AQR's Global Risk Premium	\$140,000,000.00			\$140,000,000.00	\$0	\$5,443,060	\$145,443,060
AQR's Delta Fund (Hedge Fund)	\$70,000,000.00			\$70,000,000.00	\$0	(\$2,032,450)	\$67,967,550
SSGA/SSARIS Multisource Commodities	\$0.00		75,000,000	\$75,000,000.00	\$0	-\$6,198,398.80	\$68,801,601
INVESCO Core US Real Estate Fund	\$136,831,829.92	2,318,303		\$139,150,132.86	\$0	\$3,402,539	\$142,552,672
Cash	\$5,273,627.54			\$44,765,427.92	\$0	\$0	\$44,765,428
<b>Total</b>	<b>\$2,051,243,943.91</b>	<b>\$29,579,319.56</b>	<b>\$52,891,812.43</b>	<b>\$2,173,206,876.28</b>	<b>\$256,205,466.60</b>	<b>-\$77,965,082.67</b>	<b>\$2,351,447,260.21</b>

(1) SanCERA's Fiscal Year is 7/1 through 6/30

San Mateo County Employees' Retirement Association  
 Monthly Performance Review  
 Period Ending January 31, 2012

Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning	Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
	Market Value As of 07/01/2011			Market Value As of 01/31/2012		
BlackRock Russell 1000	\$116,239,675	\$4,747,118	\$15,000,000	\$157,358,872	0.10%	0.07%
D.E. Shaw Investment Management, LLC	\$104,437,429	\$931,958	\$0	\$113,306,016	1.16%	0.07%
T. Rowe Price Associates	\$90,671,734	\$2,551,816	\$0	\$111,655,839	1.27%	0.63%
Barrow, Hanley, Mewhinney & Strauss	\$137,062,911	\$2,996,606	-\$10,000,000	\$156,308,896	-3.48%	-1.63%
BlackRock Capital Management, Inc.	\$137,507,026	-\$1,590,458	\$0	\$161,992,708	-5.51%	1.81%
The Boston Company	\$42,422,535	\$2,242,166	\$0	\$51,244,304	2.64%	-2.88%
Chartwell Investment Partners	\$49,714,956	\$894,840	\$0	\$59,862,364	-1.11%	-3.90%
Jennison Associates	\$96,873,436	\$2,182,458	-\$15,000,000	\$102,708,929	-2.50%	-3.40%
Artio Global Investors	\$176,118,388	-\$10,954,931	\$0	\$172,352,281	-15.50%	-11.42%
Mondrian Investment Partners	\$199,643,052	\$6,702,983	\$0	\$192,750,793	-8.15%	-8.15%
Aberdeen Asset Management	\$121,263,067	\$5,985,976	-\$20,000,000	\$108,916,252	5.94%	5.90%
Angelo Gordon	\$30,056,249	\$0	-\$1,417,500	\$33,507,651	-10.23%	4.32%
Brigade Capital Management	\$45,000,000	\$0	\$0	\$51,424,020	2.56%	4.32%
Brown Brothers Harriman	\$47,586,488	\$2,056,039	\$25,000,000	\$79,393,967	10.24%	10.22%
Franklin Templeton	\$102,493,815	\$2,166,780	\$0	\$104,585,676	-1.47%	-1.47%
Pyramis Global Advisors	\$81,745,258	\$2,979,775	-\$10,000,000	\$109,248,149	5.68%	5.90%
Western Asset Management Company	\$116,975,047	\$4,359,138	-\$15,000,000	\$103,654,749	1.89%	5.90%
Private Equity	\$3,327,419	-\$991,249	\$9,309,312	\$11,645,483	-9.16%	-9.16%
AQR Global Risk Premium	\$140,000,000	\$0	\$0	\$145,443,060	0.08%	0.08%
AQR Delta Fund (Hedge Fund)	\$70,000,000	\$0	\$0	\$67,967,550	-2.40%	-2.40%
SSGA/SSARIS Multisource Commodities	\$0	\$0	\$75,000,000	\$68,801,601	N/A	N/A
INVESCO Realty Advisors	\$136,831,830	\$2,318,303	\$0	\$142,552,672	5.29%	6.41%
Cash	\$5,273,628	-\$2,528,366	\$41,816,647	\$44,765,428	0.36%	0.01%
<b>Total</b>	<b>\$2,051,243,944</b>	<b>\$27,050,953</b>	<b>\$94,708,459</b>	<b>\$2,351,447,260</b>	<b>-2.21%</b>	<b>-0.29%</b>

(1) SamCERA's Fiscal Year is 7/1 through 6/30

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending January 31, 2012

Professional Services Fees

	Market Value As of 01/31/2012	For the Quarter Ending				Fiscal Year 2011 / 2012	Estimated Annual Fee (L)
		Estimated 09/30/2010	12/31/2010	03/31/2011	06/30/2011		
Investment Management Fees							
BlackRock Russell 1000	\$ 157,358,872.00	\$16,800	\$16,800	\$5,600	\$39,200	\$95,000	
D.E. Shaw Investment Management, LLC	\$ 113,306,016.00	\$139,500	\$139,500	\$46,500	\$325,500	\$475,000	
T. Rowe Price Associates	\$ 111,655,839.00	\$94,800	\$94,800	\$31,600	\$221,200	\$350,000	
Barrow, Hanley, Mewhinney & Strauss	\$ 156,308,896.00	\$92,700	\$92,700	\$30,900	\$216,300	\$650,000	
BlackRock Capital Management, Inc.	\$ 161,992,708.00	\$194,100	\$194,100	\$64,700	\$452,900	\$675,000	
The Boston Company	\$ 51,244,304.00	\$102,900	\$102,900	\$34,300	\$240,100	\$375,000	
Chartwell Investment Partners	\$ 59,862,364.00	\$110,400	\$110,400	\$36,800	\$257,600	\$350,000	
Jennison Associates	\$ 102,708,929.00	\$229,200	\$229,200	\$76,400	\$534,800	\$775,000	
Arrio Global Investors	\$ 172,352,281.00	\$246,600	\$246,600	\$82,200	\$575,400	\$975,000	
Mondrian Investment Partners	\$ 192,750,793.00	\$97,200	\$97,200	\$32,400	\$226,800	\$50,000	
Aberdeen Asset Management	\$ 108,916,252.00	\$82,800	\$82,800	\$27,600	\$193,200	\$375,000	
Angelo Gordon	\$ 33,507,651.00	N/A	N/A	N/A	N/A	\$350,000	
Brigade Capital Management	\$ 51,424,020.00	N/A	N/A	N/A	N/A	\$225,000	
Brown Brothers Harriman	\$ 79,393,967.00	\$18,900	\$18,900	\$6,300	\$44,100	\$75,000	
Franklin Templeton	\$ 104,585,676.00	\$105,300	\$105,300	\$35,100	\$245,700	N/A	
Pyramis Global Advisors	\$ 109,248,149.00	\$50,700	\$50,700	\$16,900	\$118,300	\$275,000	
Western Asset Management Company	\$ 103,654,749.00	\$81,900	\$81,900	\$27,300	\$191,100	\$425,000	
Private Equity	\$ 11,645,483.00	N/A	N/A	N/A	N/A	N/A	
AQR' Global Risk Premium (Risk Parity)	\$ 145,443,060.00	N/A	N/A	N/A	N/A	N/A	
AQR's Delta Fund (Hedge Fund)	\$ 67,967,550.00	N/A	N/A	N/A	N/A	N/A	
Ssga/SSARIS Commodities	\$ 68,801,601.00	N/A	N/A	N/A	N/A	N/A	
INVESCO Realty Advisors	\$ 142,552,672.00	\$155,700	\$51,900	\$17,300	\$224,900	\$650,000	
Sub-Total	\$2,306,681,832	\$1,819,500	\$1,715,700	\$571,900	\$4,107,100	\$7,145,000	
Investment Consultant Fees							
Strategic Investment Solutions		\$99,999	\$99,999	\$33,333	\$233,331	\$400,000	
Global Custodian Fees							
State Street Bank & Trust		\$54,000	\$54,000	\$18,000	\$126,000	\$125,000	
Actuarial Consultant Fees							
Milliman, Inc.		\$32,750	\$32,750	\$5,000	\$70,500	\$60,000	
Sub-Total		\$186,749	\$186,749	\$56,333	\$429,831	\$585,000	
Total		\$2,006,249	\$1,902,449	\$628,233	\$4,536,931	\$7,730,000	



**San Mateo County  
Benchmark History**

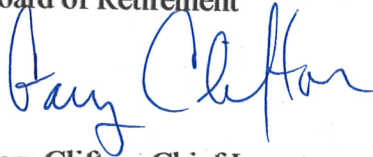
<b>Total Plan Policy</b>	<b>1/1/2011</b>	<b>10/1/2010</b>	<b>1/1/2009</b>	<b>5/1/2007</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>9/1/1998</b>	<b>7/1/1996</b>
Russell 1000	27.0%	28.0%	37%	37%	40%	22%	20%	20%
Russell 2000	8.0%	7.0%	9%	9%	10%	15%	15%	15%
S&P 500								5%
Russell 1000 Value						5%	5%	
MSCI ACWI -ex US	18.0%	18.0%	21%	21%	15%			
MSCI EAFE						20%	20%	20%
Barclays Aggregate	11.0%	12.9%	27%	27%	29%	25%	21%	21%
Barclays BBB	3.3%	1.6%						
Barclays TIPS	3.3%	3.0%						
Barclays Multiverse	4.4%	4.5%						
Citigroup Non-US WGBI unhedged						5%	9%	9%
NCREIF ODCE	5.0%	5.0%	6%					
NCREIF Property				6%	6%			
Citigroup 10 Yr Treasury + 2%						8%	10%	10%
Russell 3000 + 3%	8.0%	8.0%						
60% Russell 3000/40% Barclays Agg	6.0%	6.0%						
LIBOR + 4%	3.0%	3.0%						
DJ UBS Commodity	3.0%	3.0%						
	100.0%	100.0%	100%	100%	100%	100%	100%	100%
<b>US Equity</b>	<b>1/1/2011</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>9/1/1998</b>	<b>7/1/1996</b>	<b>1/1/1995</b>		
Russell 1000	77%	80%	52%	50.0%	50.0%	69%		
Russell 2000	23%	20%	36%	37.5%	37.5%	14%		
S&P 500					12.5%	17%		
Russell 1000 Value			12%	12.5%				
	100%	100%	100%	100.0%	100.0%	100%		
<b>International Equity</b>	<b>6/1/2000</b>	<b>1/1/1996</b>						
MSCI ACWI -ex US	100%							
MSCI EAFE		100%						
	100%	100%						
<b>Total Equity</b>	<b>10/1/2010</b>	<b>5/1/2007</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>9/1/1998</b>	<b>1/1/1996</b>		
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%		
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%		
S&P 500						8.4%		
Russell 1000 Value				8.0%	8.4%			
MSCI ACWI -ex US	34.0%	31.3%	23.1%					
MSCI EAFE				32.3%	33.3%	33.3%		
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
<b>US Fixed Income</b>	<b>1/1/2011</b>	<b>10/1/2010</b>	<b>7/1/1996</b>					
Barclays Aggregate	62.4%	73.7%	100%					
Barclays BBB	18.8%	9.1%						
Barclays TIPS	18.8%	17.2%						
	100.0%	100.0%	100%					
<b>Global Fixed Income</b>	<b>10/1/2010</b>							
Barclays Multiverse	100%							
<b>Total Fixed Income</b>	<b>1/1/2011</b>	<b>10/1/2010</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>7/1/1996</b>			
Barclays Aggregate	50%	58.6%	100%	83.3%	70%			
Barclays BBB	15%	7.3%						
Barclays TIPS	15%	13.6%						
Barclays Multiverse	20%	20.5%						
Citigroup Non-US WGBI unhedged				16.7%	30%			
	100%	100.0%	100%	100.0%	100%			
<b>Real Estate</b>	<b>1/1/2009</b>	<b>6/1/2000</b>	<b>7/1/1996</b>					
NCREIF ODCE	100%							
NCREIF Property		100%						
Citigroup 10 Yr Treasury + 2%			100%					
<b>Private Equity</b>	<b>10/1/2010</b>							
Russell 3000 + 3%	100%							
<b>Risk Parity</b>	<b>10/1/2010</b>							
Russell 3000	60%							
Barclays Aggregate	40%							
	100%							
<b>Hedge Fund</b>	<b>10/1/2010</b>							
LIBOR + 4%	100%							
<b>Commodities</b>	<b>10/1/2010</b>							
DJ UBS Commodity	100%							

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

February 28, 2012

Agenda Item 6.2

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Quarterly Investment Performance Analysis for the period ended December 31, 2011

STAFF RECOMMENDATION: Staff recommends the board review and accept Strategic Investment Solutions' Quarterly Performance Report for the period ended December 31, 2011.

COMMENT: Below are selected summary details from Strategic Investment Solutions' Quarterly Performance Report. Patrick Thomas & Jonathan Brody will present the entire report to the board and will be available for questions.

INVESTMENT PERFORMANCE SUMMARY  
December 31, 2011

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<i>Composite Fund</i>	5.97%	36	0.13%	73	10.66%	61
<i>Policy Index</i>	7.15%	9	0.69%	62	11.69%	34
BlackRock Russell 1000 Index Fund	11.85%	40	1.54%	54	14.88%	28
D.E. Shaw	12.51%	21	1.80%	48	N/A	N/A
<i>Russell 1000 Index</i>	11.84%	43	1.50%	55	14.81%	30
T. Rowe Price	11.72%	68	2.00%	44	N/A	N/A
<i>S&amp;P 500 Index</i>	11.82%	53	2.11%	40	N/A	N/A
Barrow Hanley	13.70%	25	1.52%	35	N/A	N/A
<i>Russell 1000 Value Index</i>	13.11%	41	0.39%	46	N/A	N/A
BlackRock	7.36%	87	-8.16%	96	N/A	N/A
<i>Russell 1000 Growth Index</i>	10.61%	27	2.64%	30	N/A	N/A
<i>Large Cap Composite</i>	11.24%	62	-0.81%	69	13.32%	71
<i>Russell 1000 Index</i>	11.84%	39	1.50%	47	14.81%	42
Jennison Associates	15.28%	58	-0.15%	20	21.14%	15
<i>Russell 2000 Index</i>	15.47%	53	-4.18%	76	15.62%	74
The Boston Company	20.12%	8	-0.86%	19	N/A	N/A
<i>Russell 2000 Value Index</i>	15.97%	44	-5.50%	50	N/A	N/A
Chartwell Investment Partners	18.95%	6	4.42%	22	22.31%	32
<i>Russell 2000 Growth Index</i>	14.99%	37	-2.91%	64	19.00%	69
<i>Small Cap Composite</i>	17.42%	19	0.95%	27	21.82%	22
<i>Russell 2000 Index</i>	15.47%	45	-4.18%	70	15.62%	81
<i>U.S. Equity Composite</i>	12.67%	37	-0.48%	58	14.91%	67
Artio Global Investors	2.42%	81	-19.57%	81	2.95%	77
<i>MSCI ACWI-ex US Growth Index</i>	4.16%	51	-13.93%	53	11.21%	38
Mondrian Investment Partners	4.39%	44	-4.79%	9	8.98%	59
<i>MSCI ACWI-ex US Value Index</i>	3.40%	73	-12.71%	43	11.16%	38
<i>International Equity Composite</i>	3.47%	68	-12.26%	44	6.02%	91
<i>MSCI ACWI-ex US Index Free</i>	3.77%	58	-13.33%	58	11.20%	39
<i>Total Equity Composite</i>	9.79%	N/A	-4.27%	N/A	12.07%	N/A

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
Aberdeen Asset Management	1.55%	25	8.05%	26	12.10%	10
Angelo Gordon GECC PPI Fund	1.58%	N/A	-9.26%	N/A	N/A	N/A
Pyramis Global Advisors	1.32%	45	7.94%	29	11.27%	16
Western Asset Management	1.39%	40	7.50%	50	12.41%	9
<i>BC Aggregate Index</i>	<i>1.12%</i>	<i>65</i>	<i>7.84%</i>	<i>34</i>	<i>6.77%</i>	<i>80</i>
Brigade Capital Management	3.32%	N/A	6.04%	N/A	N/A	N/A
<i>BC BBB Credit</i>	<i>2.71%</i>	<i>N/A</i>	<i>9.48%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Brown Brothers Harriman	2.68%	53	14.16%	19	N/A	N/A
<i>BC U.S. TIPS</i>	<i>2.69%</i>	<i>44</i>	<i>13.56%</i>	<i>39</i>	<i>N/A</i>	<i>N/A</i>
Franklin Templeton Investments	1.78%	33	-1.25%	93	N/A	N/A
<i>BC Multiverse</i>	<i>0.40%</i>	<i>70</i>	<i>5.55%</i>	<i>46</i>	<i>N/A</i>	<i>N/A</i>
<i>Total Fixed Income Composite</i>	<i>1.82%</i>	<i>17</i>	<i>5.36%</i>	<i>89</i>	<i>11.52%</i>	<i>14</i>
<i>Total Fixed Income Index</i>	<i>1.46%</i>	<i>34</i>	<i>8.49%</i>	<i>15</i>	<i>7.02%</i>	<i>76</i>
<i>INVESCO Core Fund</i>	<i>3.11%</i>	<i>27</i>	<i>16.91%</i>	<i>30</i>	<i>-2.57%</i>	<i>44</i>
<i>Real Estate Composite</i>	<i>3.11%</i>	<i>27</i>	<i>16.91%</i>	<i>30</i>	<i>-2.57%</i>	<i>44</i>
<i>NCREIF ODCE – Equal Weight</i>	<i>3.02%</i>	<i>32</i>	<i>15.96%</i>	<i>34</i>	<i>-2.26%</i>	<i>42</i>

ABRY II	N/A	N/A	N/A	N/A	N/A	N/A
ABRY VII	N/A	N/A	N/A	N/A	N/A	N/A
General Catalyst Group VI	N/A	N/A	N/A	N/A	N/A	N/A
Regiment Capital	N/A	N/A	N/A	N/A	N/A	N/A
Sheridan Partners	N/A	N/A	N/A	N/A	N/A	N/A
<i>Total Private Equity Composite</i>	<i>-8.83%</i>	<i>N/A</i>	<i>-86.42%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Total Private Equity Index</i>	<i>12.92%</i>	<i>N/A</i>	<i>4.06%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

AQR Delta Fund	2.54%	17	N/A	N/A	N/A	N/A
<i>Libor +4% Benchmark</i>	<i>1.05%</i>	<i>34</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

AQR Risk Parity	4.78%	N/A	N/A	N/A	N/A	N/A
<i>Total Risk Parity Index(60-40 portfolio)</i>	<i>7.73%</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

SSgA Multisource	-1.63%	95	N/A	N/A	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	<i>0.34%</i>	<i>68</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

State Street General Account	0.03%	36	0.40%	18	0.36%	36
San Mateo County Treasury Account	0.23%	11	1.03%	11	1.18%	13
<i>Cash Composite</i>	<i>0.11%</i>	<i>15</i>	<i>0.73%</i>	<i>12</i>	<i>1.04%</i>	<i>15</i>
<i>91 Day T-Bill Index</i>	<i>0.00%</i>	<i>80</i>	<i>0.10%</i>	<i>46</i>	<i>0.14%</i>	<i>74</i>

## INVESTMENT PERFORMANCE SUMMARY

- The composite fund returned 6.0% in the fourth quarter of 2011 and ranked 36th among other public funds greater than \$100 million (median of 5.3%). It lagged the policy index return of 7.1%. The one year return of 0.1% was behind the policy index return of 0.7% and ranked in 73rd percentile of the universe. Longer term, the three and five-year returns of 10.7% (61st percentile) and 0.4% (93rd percentile), respectively, were below median among large public plans (11.1% and 2.0%).

□ Fourth quarter results were enhanced by the following factors:

1. The BlackRock Russell 1000 Index Fund, 11.9%, ranked in the 40th percentile among large cap core managers (median of 11.8%), and edged out its benchmark (11.8%).
2. DE Shaw's return of 12.5% ranked in the top quartile among large cap core managers (median 11.8%), and was ahead of its benchmark, the Russell 1000 Index (11.8%). Investments in the Consumer Discretionary, Consumer Staple and Financials sectors supported quarterly results.
3. Barrow Hanley's return of 13.7% was ahead of the Russell 1000 Value Index (13.1%) and ranked in the top quartile among large cap value managers (median of 12.8%). The portfolio was primarily driven by its security selection in the Consumer Staples (Philip Morris) and Energy (Marathon Oil, Occidental Petroleum) and underweight to the Utilities sectors.
4. The Boston Company returned 20.1%, versus 16.0% for the Russell 2000 Value Index, and ranked in the 8<sup>th</sup> percentile among its peers (median 15.9%). Positive attribution was derived from stock selection in the Industrials (RSC Holdings, Freightcar America), Info Tech (Netscout Systems) and Financials (Protective Life) sectors.
5. Chartwell gained more value, 18.9%, than the Russell 2000 Growth Index, 15.0%. Chartwell ranked in 6<sup>th</sup> percentile among small cap growth managers (median of 13.7%). Positive alpha was mainly derived from its Consumer Discretionary (United Rentals, Rush Enterprises, Group 1 Automotive), Energy (Kodiak Oil + Gas, Key Energy Services, Newpark Resources) and Industrials (Kenexa, Robbins + Myers) stock selection.
6. Mondrian returned 4.4% and beat the MSCI AC World -ex US Value Index (3.4%) and ranked in the 44<sup>th</sup> percentile among its peers. The portfolio was boosted by its overweight position in the Netherlands and underweights to Canada and Taiwan. Stock selection in Italy, China, Brazil and the UK also were beneficial.
7. Aberdeen Asset (1.6%) out-performed the Barclays Aggregate Index (1.1%) and ranked above the median core bond manager (1.2%). Aberdeen holdings in corporate bonds, CMBS and high yield added to relative performance.
8. The Pyramis Broad Market Duration Fund gained 1.3% and ranked in the 45th percentile among core bond managers (median of 1.2%). The Barclays Aggregate Index was up 1.1% for the quarter. Sector overweight to financial corporate bonds and CMBS and exposure to TIPS, proved positive.
9. Western Asset Management's quarter was above par. It carried a return of 1.4% and ranked above the core bond manager median of 1.2%. The Barclays Aggregate Index returned 1.1%. Its overweight to the corporate sector and exposure to TIPS and high yield created performance alpha.
10. The Angelo Gordon GECC PPIP Fund appreciated 1.6% while the Barclays Aggregate was up 1.1%. The Fund carries approximately 47% RMBS and 53% CMBS assets.

11. The intermediate high yield manager, Brigade Capital, beat its benchmark, the Barclays BBB Credit Index (3.3% vs. 2.7%). Long high yield, leveraged loans and distressed securities were contributors during the quarter.
12. Brown Brothers Harriman gained 2.7%, matched the Barclays US TIPS Index and ranked in the third quartile among Inflation Linked Bond accounts (median of 2.7%). The portfolio was fully invested in TIPS.
13. Franklin Templeton appreciated 1.8% and ranked in the second quartile among global bond managers. The Barclays Multiverse Index was up 0.4%. Asian –ex Japan and peripheral European currencies, plus high yield corporate bond holdings, added to absolute results.
14. The INVESCO Core Real Estate-USA Fund returned 3.1% for the quarter, positioned above the NCREIF ODCE (3.0%), and ranked in the second quartile among real estate investments. There was an overall unleveraged gross write up of \$62.6 million or 1.45%.
15. Hedge fund strategy AQR Delta Fund II led the LIBOR + 4% (2.5% vs. 1.0%). It ranked in the top quartile among hedge fund strategies (median of 0.2%). The event driven and dedicated short bias sub-strategies were the main contributions to performance.
16. The Treasury and LAIF account added 0.2% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.

Fourth quarter results were hindered by the following factors:

1. T Rowe Price (11.7%) slightly trailed the S&P 500 Index and its peer median return of 11.8%. Security selection in the Consumer Discretionary and Consumer Staples sectors hurt performance.
2. BlackRock-US Equity (7.4%) lagged the Russell 1000 Growth Index (10.6%), and the median large growth manager (9.8%). It ranked in the bottom quartile among its peers. BlackRock was hurt by its overall stock selection, especially in Healthcare (Vertex Pharmaceuticals, Cerner) and Consumer Staples (Green Mountain Coffee Roastery) investments, and its portfolio turnover.
3. Jennison (15.3%) ranked in the 58th percentile among its small cap core peers (median of 15.6%) and trailed its benchmark. The Russell 2000 Index returned 15.5%. Below par Consumer Discretionary (Deckers Outdoor, Maidenform Brands, Vera Bradley), Materials (US Gold, AM Castle, Intrepid Potash) and Healthcare (Bioreference Labs, MAP Pharmaceuticals) investments were detractors of relative performance.
4. The Artio Global quarterly result of 2.4% was below the MSCI ACWI -ex US Growth Index (4.2%), and ranked in the 81st percentile among international equity managers. Artio's stock selection in airport industry, plus its emerging markets exposure (India), detracted from performance.
5. Private Equity investments depreciated 8.8% for the quarter. The Russell 3000 + 3% Index was up 12.9%.

6. Risk parity manager AQR was up 4.8% while its custom benchmark was 7.7%. Fourth quarter gross return attribution are as follows: equity (1.3%), nominal interest rate (1.1%), inflation (0.7%) and credit/default (1.7%).
7. In its first full quarter, commodities manager SSgA Multisource lagged its benchmark, DJ UBS Commodities Index (-1.6% vs. 0.3%). It ranked in the bottom quartile among commodity funds (median of 2.5%).

#### GENERAL COMMENTS

- Global equities performed on par with global bonds in the last quarter of 2011, as policy moves in Europe and better-than-expected US economic news improved sentiment, particularly for equity markets.
- Global commodity prices continued to head lower in the fourth quarter driven by falling agricultural and industrial metals prices. Aggregate commodity indices ended the year down more than 10 percent. After reaching a record high in September, gold prices moderated notably as the US dollar strengthened.
- US stocks fared better than their international and emerging markets counterparts. Domestically, blue chip stocks of the Dow Jones Industrial Average outperformed the S&P 500, NASDAQ and Russell indices. By sector, information technology and health care ended 2011 with the strongest performance while materials, consumer discretionary and utilities sectors finished the year in negative territory.
- Improving economic data in the US and European policy moves managed to buoy equity markets, yet failed to prompt a broader shift in investment sentiment and risk appetite. Indeed, investors remained cautious and firmly vested in bonds. The US yield curve witnessed limited movement across the term spectrum in the fourth quarter.
- Despite currency market interventions by the Bank of Japan designed to weaken the yen, the currency was mostly unmoved in the fourth quarter and ultimately ended up as the best performer among G10 currencies, strengthening over 5 percent in 2011. At the other end of the scale, the euro was the worst performer in the fourth quarter and for the year in aggregate.
- For the period ending 12/31/11, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 15.22% and 3.30%; one year, 8.29% and 16.10%; three years, 21.05% and -1.45%; and five years, -1.42% and 3.40%.
- The fourth quarter of 2011 was characterized by very strong markets for global real estate securities, as global macroeconomic conditions became marginally more positive. Global markets have become bifurcated between the "haves" (New York, London, D.C., Singapore) and the "have nots" (Greece, Italy, etc.)
- Question marks still exist about the situation in Europe and bank capital requirements that have made financing somewhat difficult. Still, predications about an impending distressed environment

have not been borne out; the relatively high yields offered by REITs and quality real estate have been attractive to investors.



**SAN MATEO COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION**

**Quarterly Performance Report**

December 31, 2011

*STRATEGIC INVESTMENT SOLUTIONS, INC.*

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333 Bush Street, Suite 2000  
San Francisco, CA 94104  
(415) 362-3484



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC



	SECTION
Total Fund.....	I
US Equity .....	II
International Equity.....	III
Fixed Income.....	IV
Alternative Investments.....	V
Appendix	

# SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

Fourth quarter 2011

## Capital Market Review

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# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Fourth Quarter 2011

## Executive Performance Summary

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# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Fourth Quarter 2011

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# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Fourth Quarter 2011

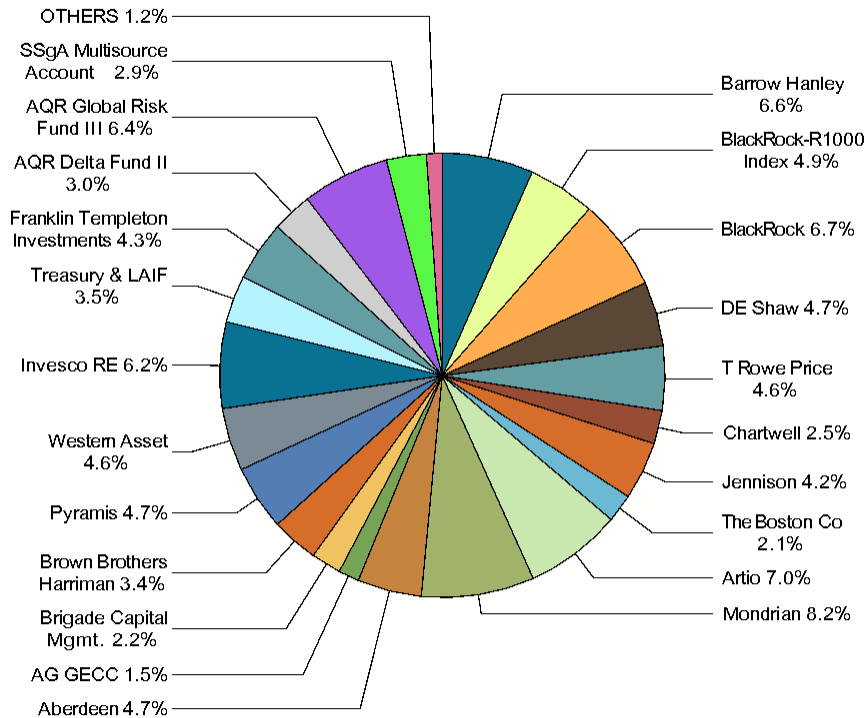
## Executive Performance Summary

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# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Manager Allocation Analysis - Total Plan



FUND	Ending Market Value	Current %
Barrow Hanley	151,059,620	6.6
BlackRock-R1000 Index	111,943,829	4.9
BlackRock	153,262,309	6.7
DE Shaw	107,249,502	4.7
T Rowe Price	106,087,718	4.6
Chartwell	56,225,857	2.5
Jennison	96,561,435	4.2
The Boston Co	47,915,813	2.1
Artio	161,138,011	7.0
Mondrian	187,012,941	8.2
Aberdeen	107,232,293	4.7
AG GECC	33,980,140	1.5
Brigade Capital Mgmt.	50,200,740	2.2
Brown Brothers Harriman	77,726,446	3.4
Pyramis	107,873,959	4.7
Western Asset	105,514,276	4.6
Invesco RE	142,552,672	6.2
General Account	14,928,808	0.7
Treasury & LAIF	79,674,481	3.5
Private Equity	11,306,477	0.5
Franklin Templeton Investments	98,864,178	4.3

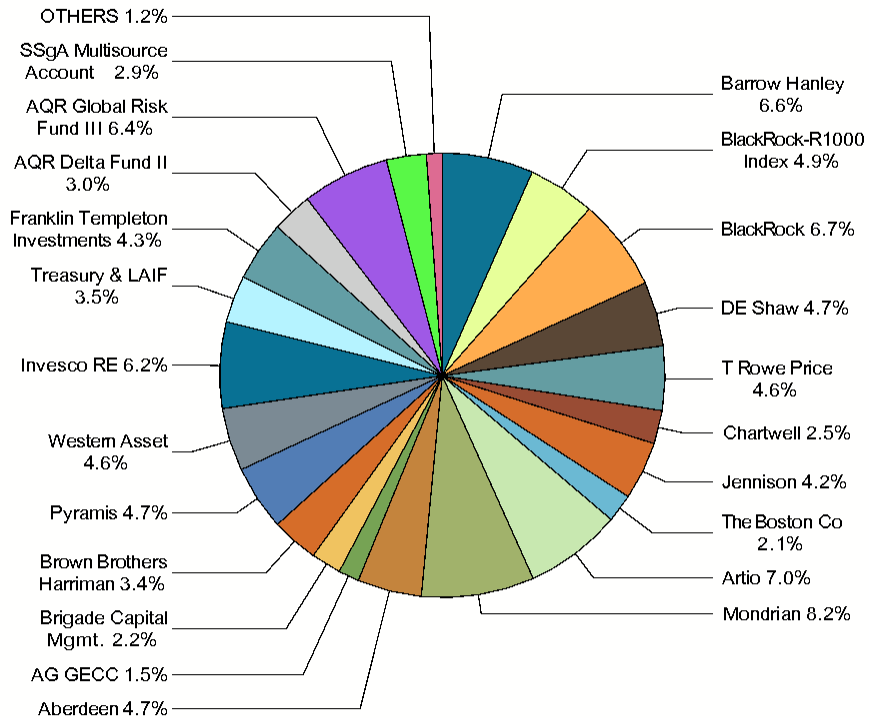
OTHERS category includes managers with less than 1% of Total Ending Market Value.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Manager Allocation Analysis - Total Plan

FUND	Ending Market Value	Current %
AQR Delta Fund II	67,967,565	3.0
AQR Global Risk Fund III	145,443,102	6.4
SSgA Multisource Account	65,911,934	2.9
<b>TOTAL</b>	<b>2,287,634,104</b>	<b>100.0</b>



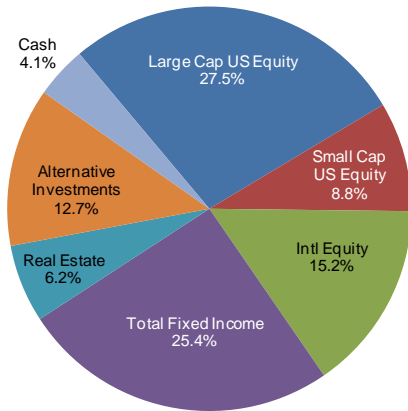
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As of December 31, 2011

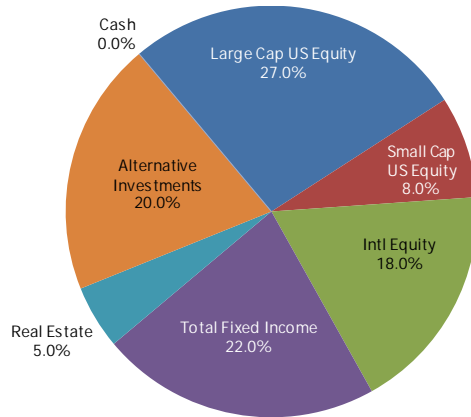
## Allocation By Manager Type Analysis

CURRENT ALLOCATION BY MANAGER TYPE



Asset Allocation	Market Value	%
Large Cap US Equity	629,602,977	27.5%
Small Cap US Equity	200,703,105	8.8%
Intl Equity	348,150,952	15.2%
Total Fixed Income	581,392,032	25.4%
Real Estate	142,552,672	6.2%
Alternative Investments	290,629,078	12.7%
Cash	94,603,289	4.1%
<b>Total</b>	<b>2,287,634,104</b>	<b>100.0%</b>

TARGET ALLOCATION BY MANAGER TYPE



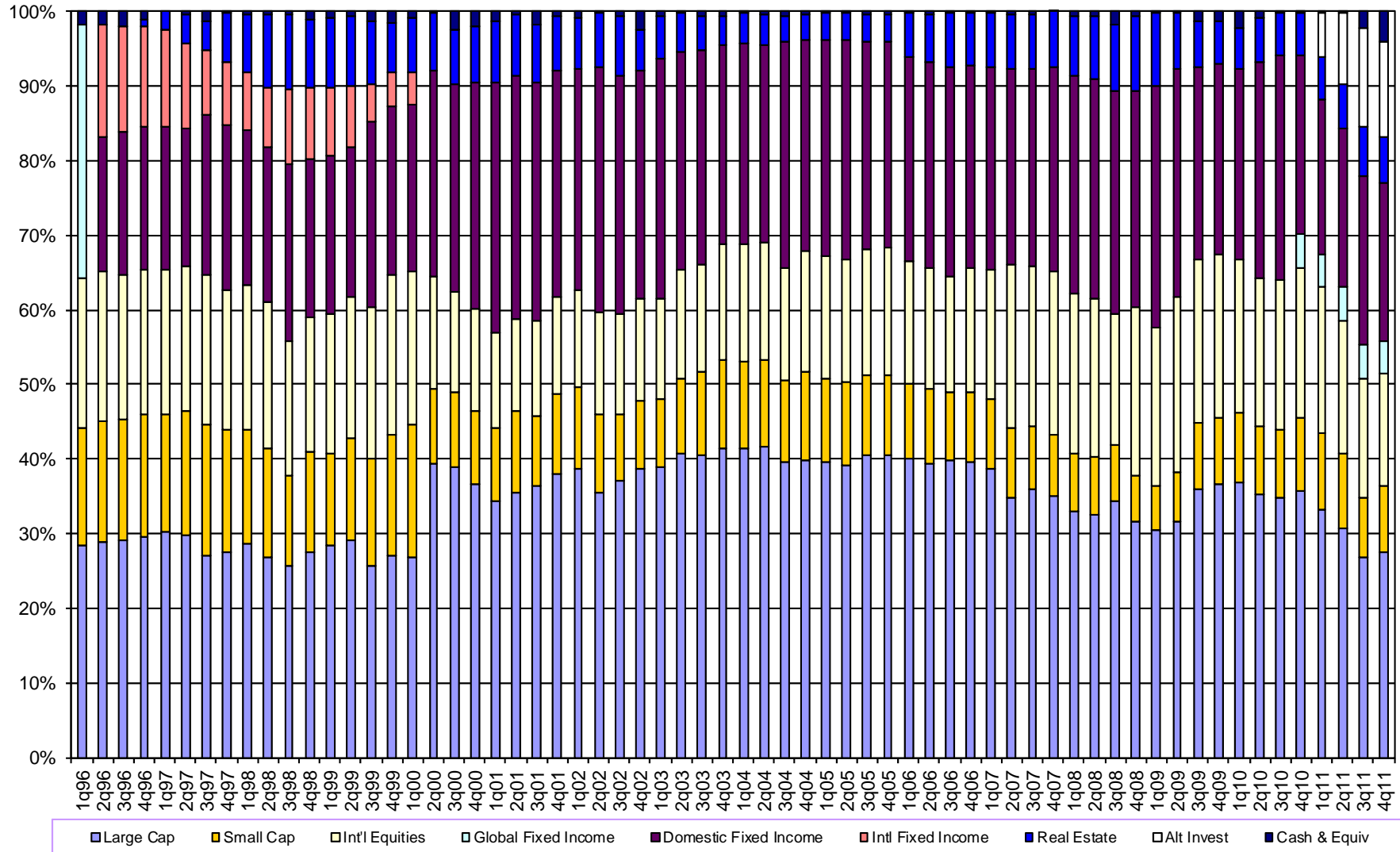
Asset Allocation	Target	Actual	Diff
Large Cap US Equity	27.0%	27.5%	0.5%
Small Cap US Equity	8.0%	8.8%	0.8%
Intl Equity	18.0%	15.2%	-2.8%
Total Fixed Income	22.0%	25.4%	3.4%
Real Estate	5.0%	6.2%	1.2%
Alternative Investments	20.0%	12.7%	-7.3%
Cash	0.0%	4.1%	4.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

## Actual Historical Quarterly Asset Allocation



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

## Performance Summary

	1 Qtr		Fiscal YTD		1 Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
<b>TOTAL FUND</b>												
<b>SAMCERA COMPOSITE FUND</b>	5.97	36	-5.28	83	0.13	73	6.63	67	10.66	61	0.36	93
Policy Index <sup>1</sup>	7.15	9	-4.25	44	0.69	62	7.34	39	11.69	34	1.89	58
Public Fund >\$100 Million Median	5.34		-4.44		0.89		6.99		11.10		2.04	
<b>US EQUITY</b>												
<b>LARGE CAP</b>												
BlackRock-R1000 Index Fund	11.85	40	-4.56	52	1.54	54	8.61	28	14.88	28	0.05	37
D.E. Shaw	12.51	21	-4.24	47	1.80	48	7.80	63				
Russell 1000 Index	11.84	43	-4.58	53	1.50	55	8.55	31	14.81	30	-0.02	42
T. Rowe Price	11.72	68	-3.78	40	2.00	44	7.92	61				
S&P 500 Index	11.82	53	-3.69	31	2.11	40	8.39	49				
Barrow Hanley	13.70	25	-6.72	59	1.52	35	8.43	25				
Russell 1000 Value Index	13.11	41	-5.22	31	0.39	46	7.68	38				
BlackRock	7.36	87	-10.61	87	-8.16	96	5.15	86				
Russell 1000 Growth Index	10.61	27	-3.92	25	2.64	30	9.45	38				
<b>LARGE CAP COMPOSITE</b>	11.24	62	-6.47	65	-0.81	69	7.13	65	13.32	71	-1.48	80
Russell 1000 Index	11.84	39	-4.58	39	1.50	47	8.55	33	14.81	42	-0.02	52
Large Cap Median	11.76		-5.22		1.26		8.11		14.36		0.02	
<b>SMALL CAP</b>												
Jennison	15.28	58	-8.33	40	-0.15	20	14.54	9	21.14	15		
Russell 2000 Index	15.47	53	-9.77	70	-4.18	76	10.25	65	15.62	74		
The Boston Company	20.12	8	-4.03	3	-0.86	19	9.16	58				
Russell 2000 Value Index	15.97	44	-8.94	53	-5.50	50	8.47	71				
Chartwell	18.95	6	-7.12	29	4.42	22	16.89	17	22.31	32	2.61	71
Russell 2000 Growth Index	14.99	37	-10.59	54	-2.91	64	11.95	68	19.00	69	2.09	79
<b>SMALL CAP COMPOSITE</b>	17.42	19	-6.99	27	0.95	27	13.93	27	21.82	22	-1.72	96
Russell 2000 Index	15.47	45	-9.77	59	-4.18	70	10.25	68	15.62	81	0.15	83
Small Cap Median	15.19		-9.24		-2.47		11.63		18.93		2.65	
<b>US EQUITY COMPOSITE</b>	12.67	37	-6.62	56	-0.48	58	8.49	59	14.91	67	-1.47	93
80% Russell 1000/20% Russell 2000 <sup>2</sup>	12.68	37	-5.76	40	0.22	49	8.85	51	14.98	65	0.04	59
US Equity Median	12.11		-6.30		0.11		8.88		15.67		0.35	

\* Ranking: 1 is best, 100 is worst. Total Fund and US Managers are ranked against their appropriate peer (style) group. Asset Class composites are ranked against asset class universes.

<sup>1</sup> As of 10/1/10, the Policy Index is 28% Russell 1000/7% Russell 2000/18% MSCI ACWI -ex US/12.9% BC Aggregate/1.6% BC BBB/3% BC Tips/4.5% BC Multiverse/5% NCREIF NFI ODCE EW/8% Russell 3000 + 3%/6% (60% Russell 3000/40% BC Aggregate)

3% Libor +4%/3% DJ UBS Commodity

<sup>2</sup> See Appendix for Benchmark History.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

## Performance Summary

	1 Qtr		Fiscal YTD		FISCAL YTD		2 YEAR		3 YEAR		5 YEAR	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
<b>INTERNATIONAL EQUITY</b>												
Artio Global	2.42	81	-21.00	87	-19.57	81	-6.58	82	2.95	77	-6.82	100
MSCI ACWI -ex US Growth Index	4.16	51	-16.79	36	-13.93	53	-0.60	45	11.21	38	-1.84	22
MSCI ACWI -ex US Index	3.77	63	-16.75	35	-13.33	48	-1.65	50	11.20	38	-2.48	38
Mondrian	4.39	44	-10.89	10	-4.79	9	0.21	35	8.98	59	-2.01	25
MSCI ACWI -ex US Value Index	3.40	73	-16.72	34	-12.71	43	-2.72	62	11.16	38	-3.17	46
MSCI ACWI -ex US Index	3.77	63	-16.75	35	-13.33	48	-1.65	50	11.20	38	-2.48	38
<b>INTERNATIONAL EQUITY COMPOSITE</b>												
MSCI ACWI -ex US Index <sup>2</sup>	3.77	58	-16.75	56	-13.33	58	-1.65	58	11.20	39	-2.48	48
MSCI EAFE Before Tax Index	3.38	69	-16.21	45	-11.73	37	-2.27	66	8.16	73	-4.26	77
International Equity Median	3.98		-16.45		-12.67		-1.07		10.26		-2.58	
<b>TOTAL EQUITY COMPOSITE</b>												
Total Equity Index <sup>2</sup>	9.79		-9.58		-4.27		4.74		12.07		-2.34	
<b>FIXED INCOME<sup>5</sup></b>												
CORE												
Aberdeen Asset	1.55	25	4.31	51	8.05	26	9.18	12	12.10	10	4.74	98
Pyramis Global Advisors	1.32	45	4.35	49	7.94	29	8.45	21	11.27	16	6.73	60
Western Asset	1.39	40	3.72	66	7.50	50	9.36	11	12.41	9	6.30	78
BC Aggregate Index	1.12	65	4.98	26	7.84	34	7.19	60	6.77	80	6.50	74
Core Fixed Income Median	1.25		4.31		7.48		7.39		9.01		6.88	
CREDIT												
Angelo Gordon GECC PPI Fund <sup>3</sup>	1.58		-10.23		-9.26		12.97					
BC Aggregate Index	1.12		4.98		7.84		7.19					
Brigade Capital Management	3.32		0.12		6.04							
BC BBB Credit	2.71		5.19		9.48							
TIPS												
Brown Brothers Harriman	2.68	53	7.92	9	14.16	19						
BC U.S. Tips	2.69	44	7.32	45	13.56	39						
TIPS Median	2.68		7.25		13.33							
GLOBAL												
Franklin Templeton Investments <sup>4</sup>	1.78	33	-6.86	95	-1.25	93						
BC Multiverse	0.40	70	1.06	44	5.55	46						
Global Fixed Income Median	1.11		0.79		5.28							

<sup>2</sup> See Appendix for Benchmark History.

<sup>3</sup> Funded 11/6/09, return reported net of management fees.

<sup>4</sup> Franklin Templeton Investments funded in December 2010

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

## Performance Summary

	1 Qtr		Fiscal YTD		FISCAL YTD		2 YEAR		3 YEAR		5 YEAR	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
<b>TOTAL FIXED INCOME COMPOSITE</b>	1.82	17	1.18	95	5.36	89	8.40	22	11.52	14	5.71	93
Total Fixed Index <sup>2</sup>	1.46	34	4.59	41	8.49	15	7.57	46	7.02	76	6.65	65
US Fixed Index <sup>2</sup>	1.72	20	5.48	14	9.23	8	7.92	33	7.25	72	6.79	57
Global Fixed Index <sup>2</sup>	0.40	98	1.06	95	5.55	86						
US Fixed Income Median	1.25		4.31		7.48		7.39		9.01		6.88	
<b>REAL ESTATE</b>												
INVESCO Real Estate	3.11	27	5.30	40	16.91	30	16.80	25	-2.57	44	0.07	36
<b>REAL ESTATE COMPOSITE</b>	3.11	27	5.30	40	16.91	30	16.80	25	-2.57	44	0.07	36
NCREIF NFI ODCE EW Index <sup>2</sup>	3.02	32	6.60	28	15.96	34	16.05	28	-2.26	42	0.24	35
Real Estate Median	1.43		3.63		12.46		11.14		-3.80		-1.10	
<b>PRIVATE EQUITY<sup>5</sup></b>	-8.83		-13.91		-86.42							
Russell 3000 + 3%	12.92		-3.58		4.06							
<b>RISK PARITY</b>												
AQR Global Risk Premium Fund III <sup>5</sup>	4.78		0.08									
Risk Parity Index <sup>2</sup>	7.73		-0.81									
<b>HEDGE</b>												
AQR Delta Fund II <sup>5</sup>	2.54	17	-2.40	35								
LIBOR + 4%	1.05	34	2.11	9								
Hedge Median	0.21		-4.00									
<b>COMMODITY</b>												
SSgA Multisource <sup>5</sup>	-1.63	95										
Dow Jones UBS Commodity	0.34	68										
Commodity Median	2.50											
<b>CASH</b>												
General Account	0.03	36	0.06	33	0.40	18	0.30	30	0.36	36	1.81	35
Treasury & LAIF	0.23	11	0.49	9	1.03	11	1.04	13	1.18	13	1.04	95
<b>CASH COMPOSITE</b>	0.11	15	0.30	11	0.73	12	0.88	15	1.04	15	1.13	94
91 Day T-Bill	0.00	80	0.02	54	0.10	46	0.11	56	0.14	74	1.48	77
Cash Median	0.01		0.02		0.08		0.14		0.25		1.69	

<sup>2</sup> See Appendix for Benchmark History. As of 10/1/10 the benchmark is NCREIF NFI ODCE EW, benchmark is linked to NCREIF Property Index.

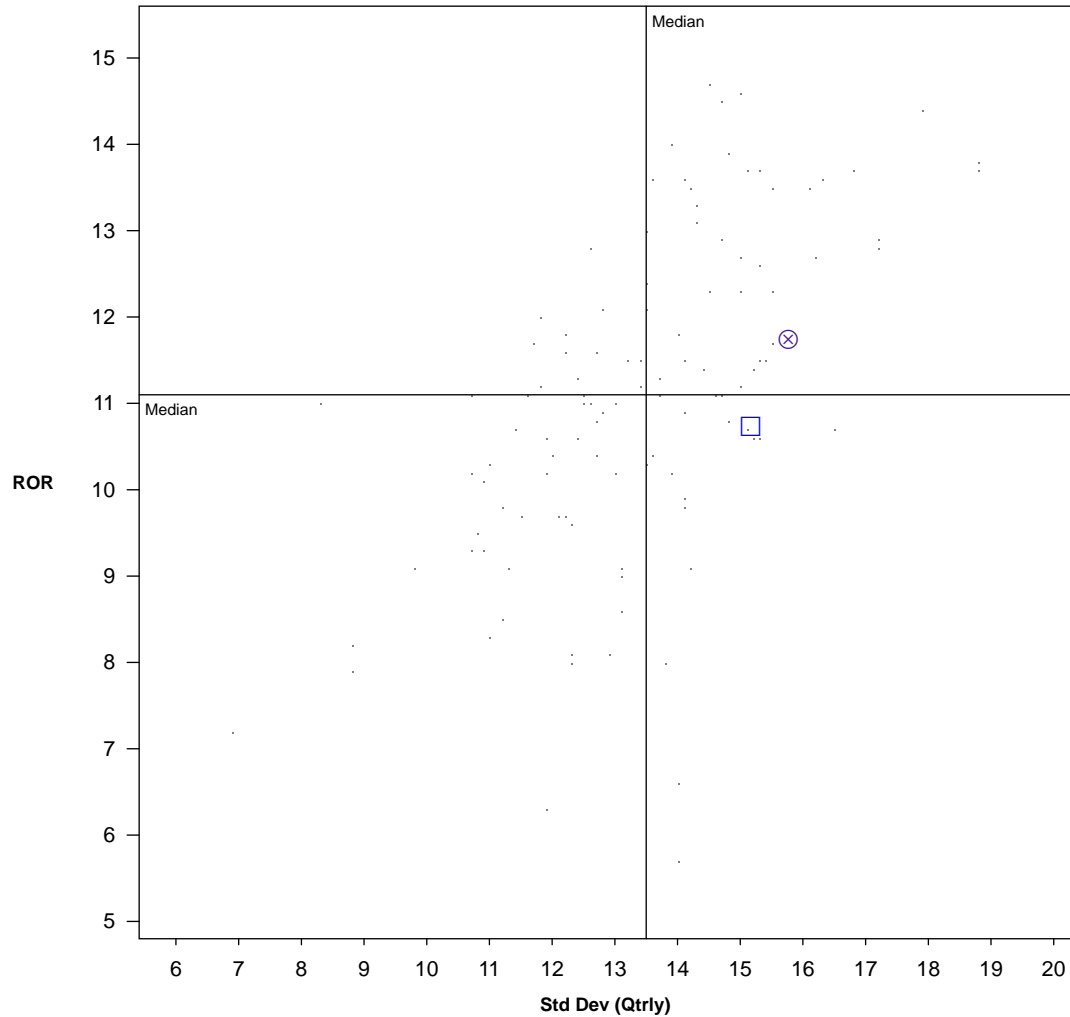
<sup>5</sup> Private Equity funded in December 2010. AQR Global Risk Premium Fund III funded in March 2011. AQR Delta Fund II funded in May 2011. SSgA Multisource funded in July 2011.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending December 31, 2011

## Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	10.7 61	15.2 84	0.7 85
⊗ Plan Policy Index	11.7 34	15.8 91	0.7 81
Median	11.1	13.5	0.8

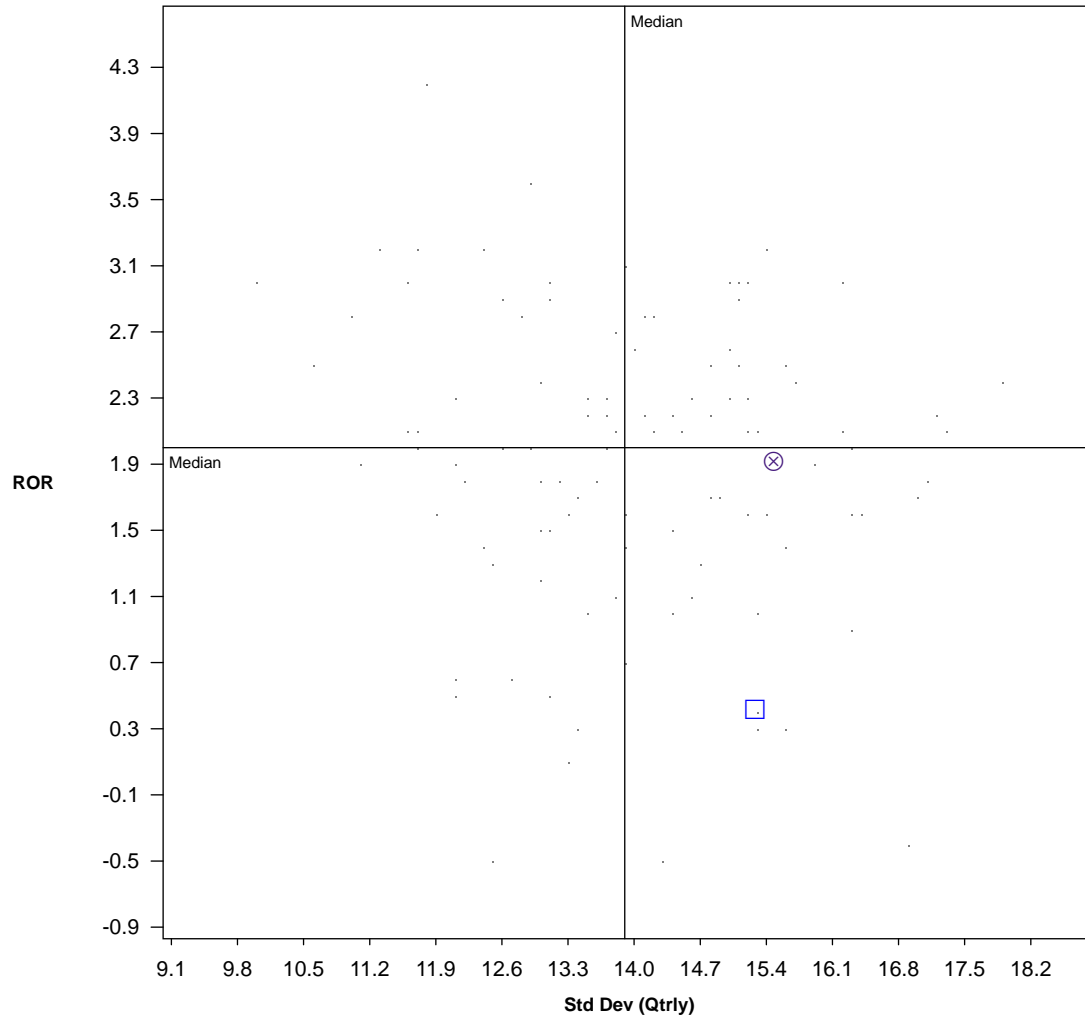
\* Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Period Ending December 31, 2011

## Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
□ SamCERA Composite	0.4 93	15.3 79	-0.1 91
⊗ Plan Policy Index	1.9 58	15.5 84	0.0 65
Median	2.0	13.9	0.0

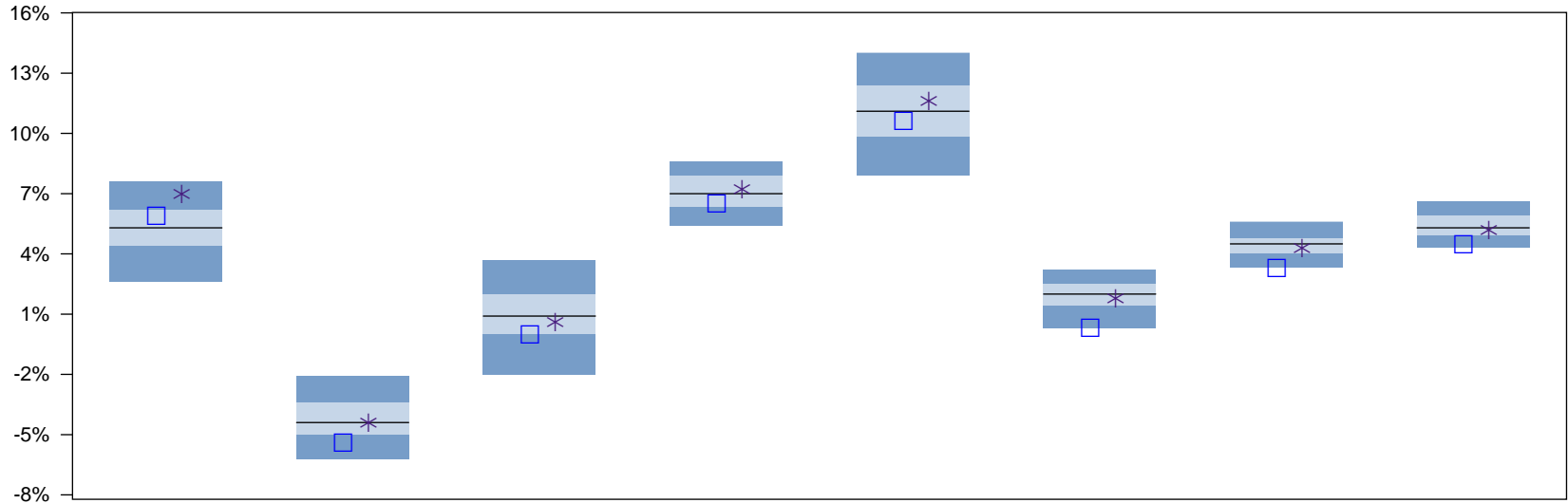
\* Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Periods Ending December 31, 2011

## Total Returns



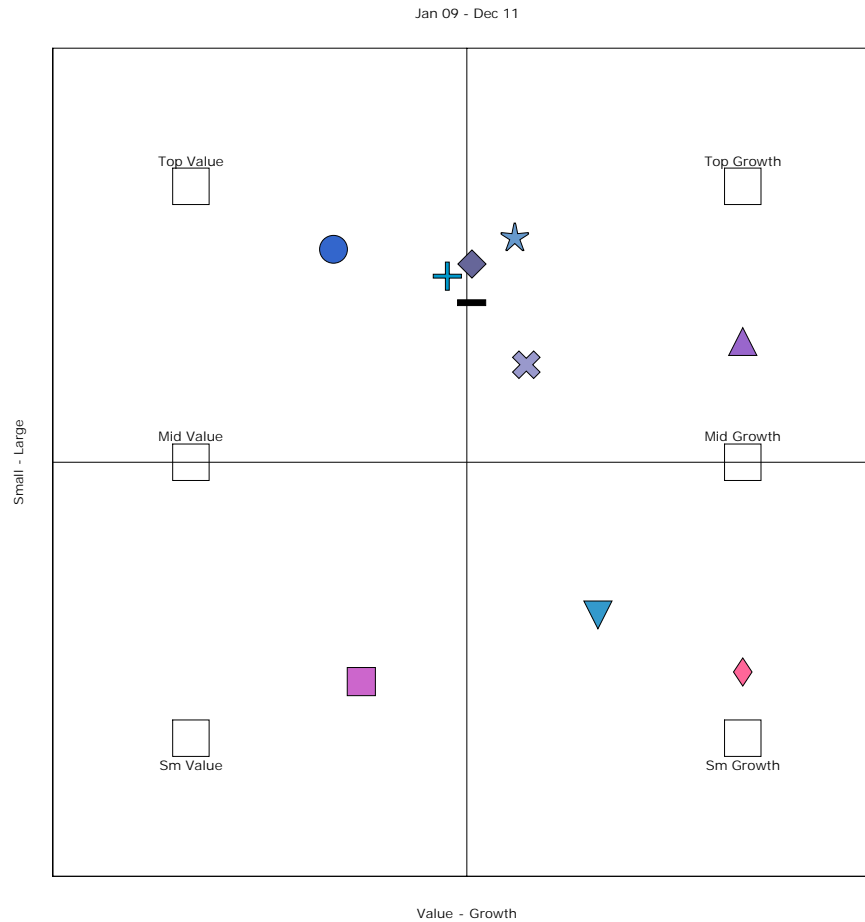
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
□ SamCERA Composite	6.0	36	-5.3	83	0.1	73	6.6	67	10.7	61	0.4	93	3.4	94	4.6	88
* Plan Policy Index	7.1	9	-4.3	44	0.7	62	7.3	39	11.7	34	1.9	58	4.4	56	5.3	47
Median	5.3		-4.4		0.9		7.0		11.1		2.0		4.5		5.3	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - US Equity Composite

### US Equity Style Map



#### Legend

- |                               |                              |                       |                      |
|-------------------------------|------------------------------|-----------------------|----------------------|
| ● Barrow Hanley               | ◆ BlackRock R1000 Index Fund | ▲ BlackRock           | ■ The Boston Company |
| ◇ Chartwell                   | + D.E. Shaw                  | ▼ Jennison Associates | ★ T. Rowe Price      |
| ⊗ SamCERA US Equity Composite | — Russell 3000 Index         |                       |                      |

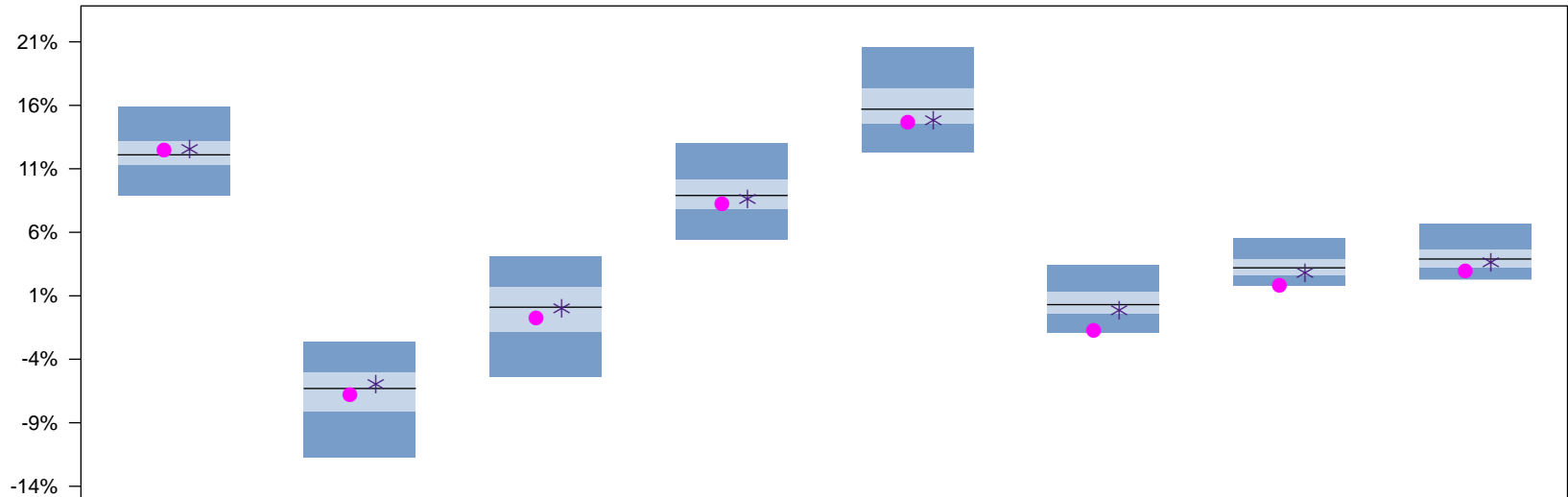


# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Pools

Periods Ending December 31, 2011

## Total Returns



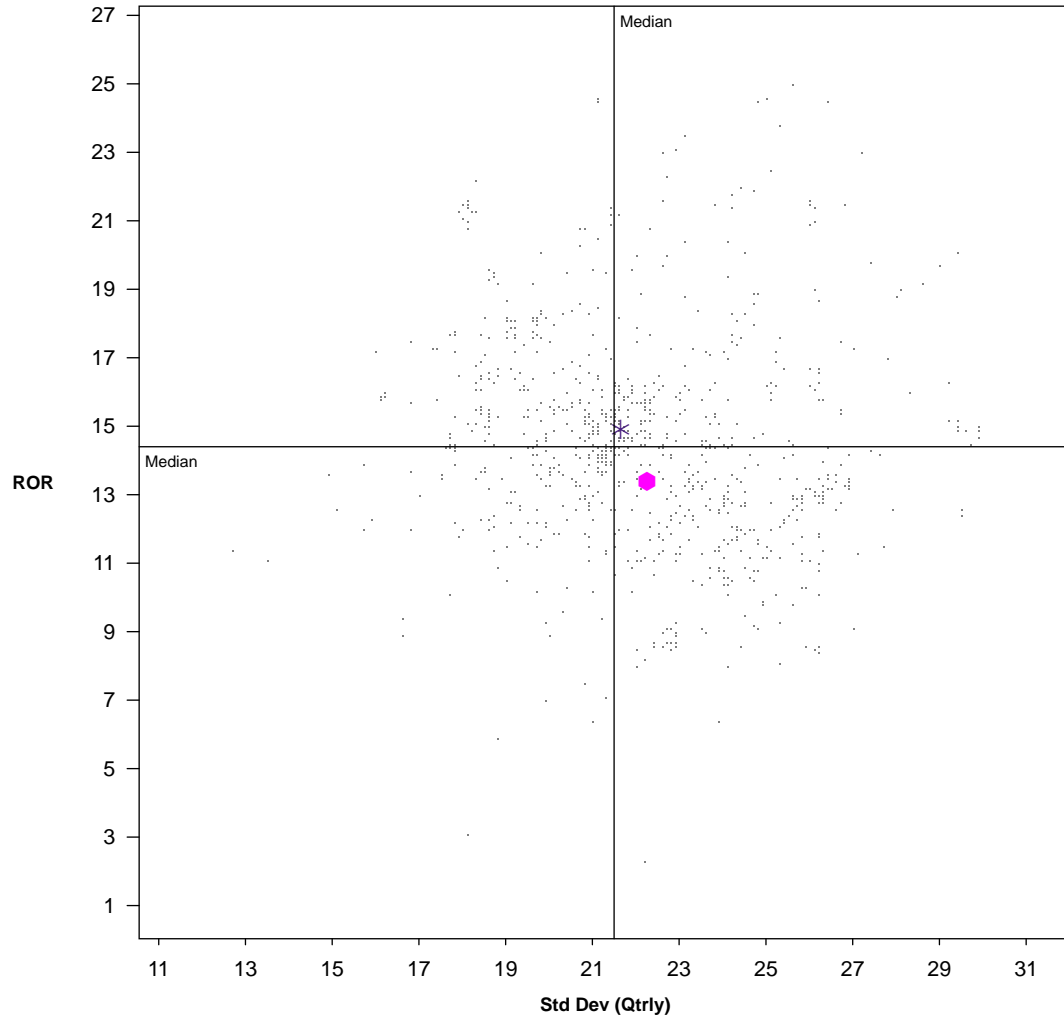
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● US Equity	12.7	37	-6.6	56	-0.5	58	8.5	59	14.9	67	-1.5	93	2.0	92	3.2	80
* US Equity Index	12.7	37	-5.8	40	0.2	49	8.8	51	15.0	65	0.0	59	3.0	57	3.8	51
Median	12.1		-6.3		0.1		8.9		15.7		0.3		3.2		3.9	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending December 31, 2011

## Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	13.3 71	22.3 63	0.6 72
* RUSSELL 1000	14.8 42	21.7 55	0.7 41
Median	14.4	21.5	0.7

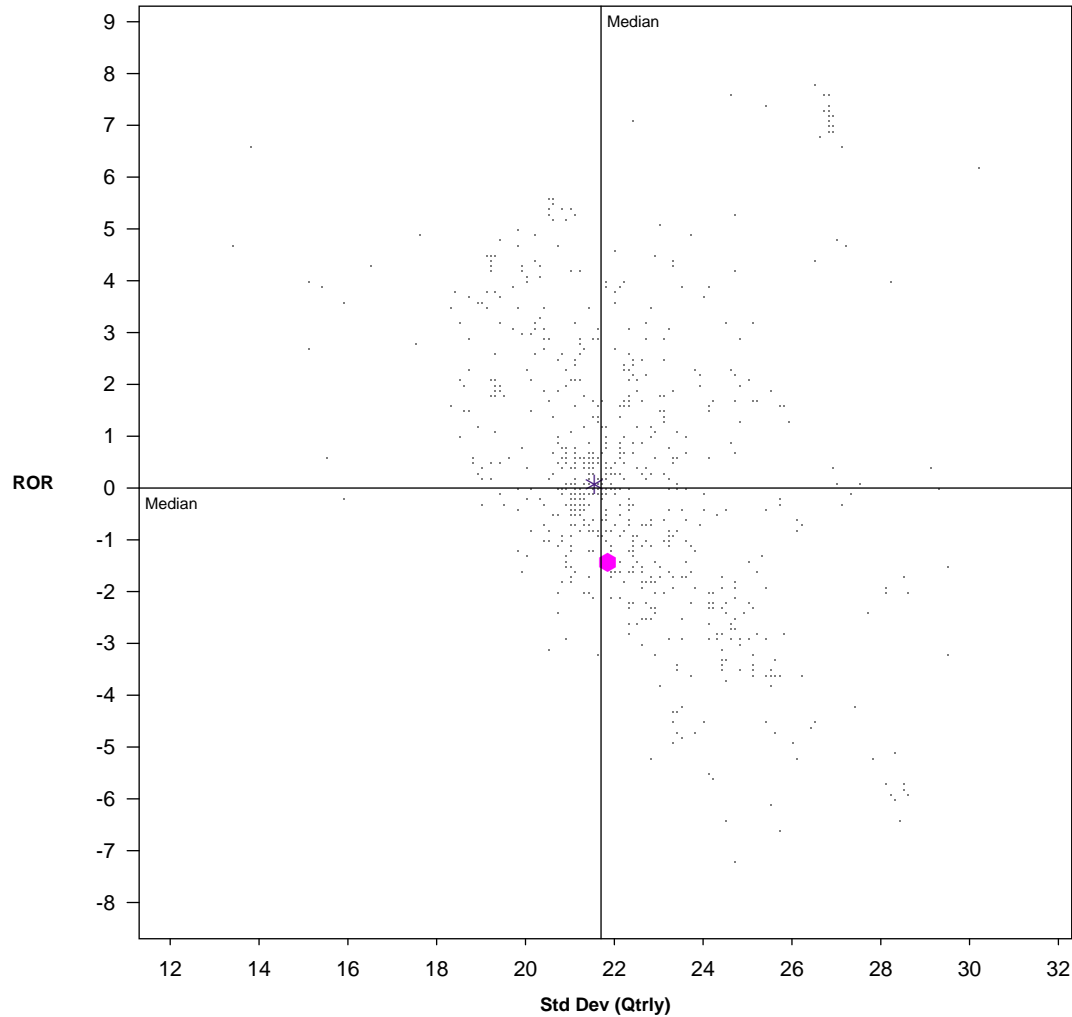
\* Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Period Ending December 31, 2011

## Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
● Large Cap	-1.5 80	21.9 53	-0.1 82
* RUSSELL 1000	-0.0 52	21.6 48	-0.1 50
Median	0.0	21.7	-0.1

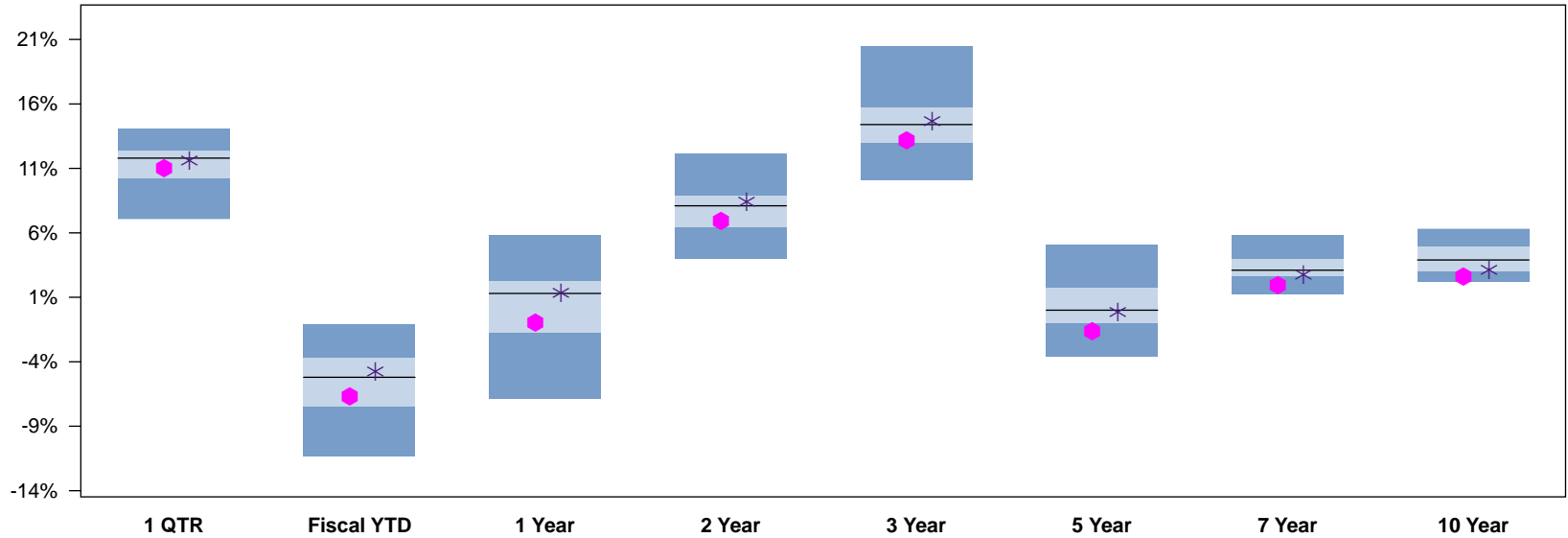
\* Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Periods Ending December 31, 2011

## Total Returns



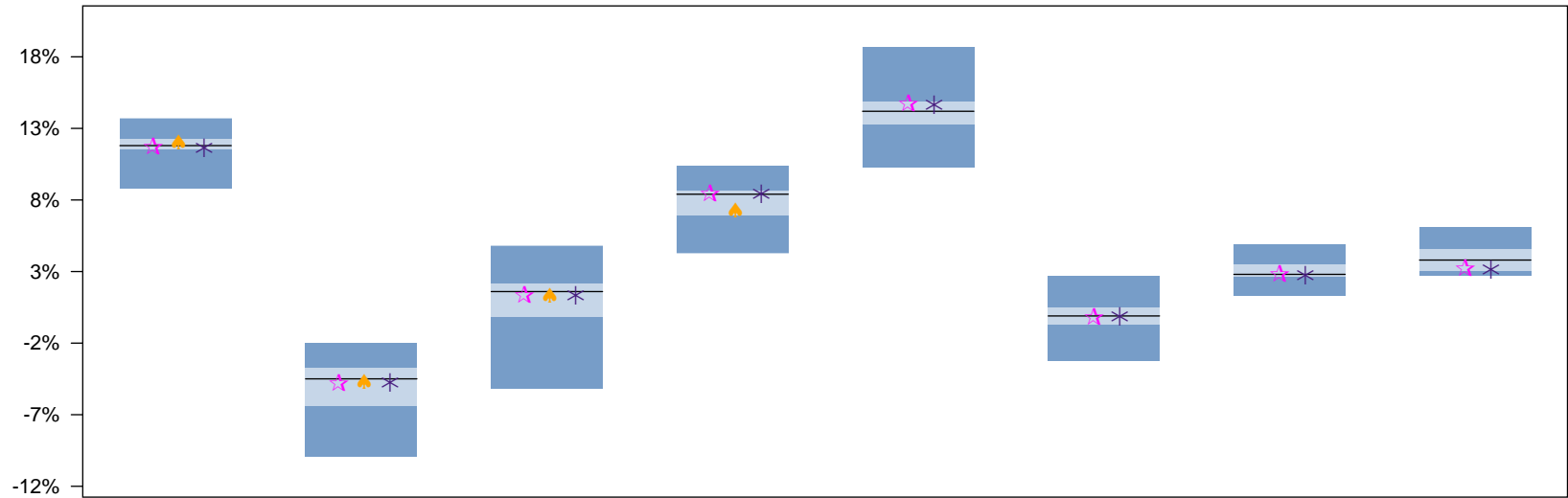
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● Large Cap	11.2	62	-6.5	65	-0.8	69	7.1	65	13.3	71	-1.5	80	2.1	85	2.8	86
* RUSSELL 1000	11.8	39	-4.6	39	1.5	47	8.6	33	14.8	42	-0.0	52	2.9	55	3.3	64
Median	11.8		-5.2		1.3		8.1		14.4		0.0		3.1		3.9	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending December 31, 2011

## Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
☆ BlackRock-R1000 Index	11.9	40	-4.6	52	1.5	54	8.6	28	14.9	28	0.0	37	3.0	42	3.4	60
▲ DE Shaw	12.5	21	-4.2	47	1.8	48	7.8	63								
* RUSSELL 1000	11.8	43	-4.6	53	1.5	55	8.6	31	14.8	30	-0.0	42	2.9	44	3.3	61
Median	11.8		-4.5		1.6		8.4		14.2		-0.1		2.8		3.8	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – BlackRock-R1000 Index Fund

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	980	
Average Market Cap (000's)	84,693,215	84,629,055
Median Market Cap (000's)	5,074,135	5,069,930
P/E Ratio	15.46	15.46
Dividend Yield	2.11	2.10
Beta	1.03	1.03
Price/Book Ratio	3.34	3.34
Return on Equity	19.90	19.90
Earnings Growth - 5 Years	7.49	7.49

Ten Largest Holdings		
Name	\$	Weight
EXXON MOBIL CORP	3,601,911	3.2
APPLE INC	3,230,890	2.9
INTL BUSINESS MACHINES CORP	1,921,288	1.7
CHEVRON CORP	1,845,152	1.7
MICROSOFTCORP	1,661,882	1.5
GENERAL ELECTRIC CO	1,638,579	1.5
PROCTER +GAMBLE CO/THE	1,606,348	1.4
JOHNSON +JOHNSON	1,550,766	1.4
AT+T INC	1,544,875	1.4
PFIZER INC	1,474,993	1.3

Ten Best Performers	
Name	Return
COBALT INTERNATIONAL ENERGY	101.3
EDUCATIONMANAGEMENT CORP	88.6
AKAMAI TECHNOLOGIES INC	62.4
PLAINS EXPLORATION + PRODUCT	61.7
LAMAR ADVERTISING CO A	61.5
PULTEGROUPINC	59.7
MBIA INC	59.4
WESCO INTERNATIONAL INC	58.0
PHARMASSETINC	55.6
LYONDELLBASELL INDU CL A	54.2

Ten Worst Performers	
Name	Return
GREEN MOUNTAIN COFFEE ROASTE	-51.7
FIRST SOLAR INC	-46.6
SEARS HOLDINGS CORP	-44.7
ROVI CORP	-42.8
HUMAN GENOME SCIENCES INC	-41.8
CAREER EDUCATION CORP	-38.9
NETFLIX INC	-38.8
ACME PACKET INC	-27.4
MOLYCORP INC	-27.0
ILLUMINA INC	-25.5

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock-R1000 Index Fund

Benchmark: RUSSELL 1000

Quarter Ending December 31, 2011

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<b>BlackRock-R1000 Index</b>									
CONSUMER DISCRETIONARY	11.6	11.5	0.0	12.5	12.5	0.0	0.00	0.00	0.00
CONSUMER STAPLES	10.6	10.6	-0.0	9.6	9.6	0.0	0.00	-0.00	0.00
ENERGY	11.0	11.0	-0.0	18.6	18.5	0.1	-0.00	0.01	0.01
FINANCIALS	14.2	14.3	-0.0	11.1	11.1	-0.0	0.00	-0.00	-0.00
HEALTH CARE	12.1	12.1	-0.0	9.6	9.6	0.0	0.00	0.00	0.00
INDUSTRIALS	10.6	10.6	-0.0	16.7	16.6	0.1	-0.00	0.01	0.01
INFORMATION TECHNOLOGY	18.8	18.8	0.0	8.7	8.6	0.0	-0.00	0.01	0.00
MATERIALS	3.8	3.8	-0.0	16.1	16.2	-0.1	-0.00	-0.00	-0.00
TELECOMMUNICATION SERVICES	3.1	3.1	-0.0	7.9	7.9	-0.0	0.00	-0.00	-0.00
UTILITIES	4.1	4.1	-0.0	8.5	8.6	-0.1	0.00	-0.00	-0.00
TOTAL	100.0	100.0	0.0	11.9	11.9	0.0	0.00	0.02	0.02

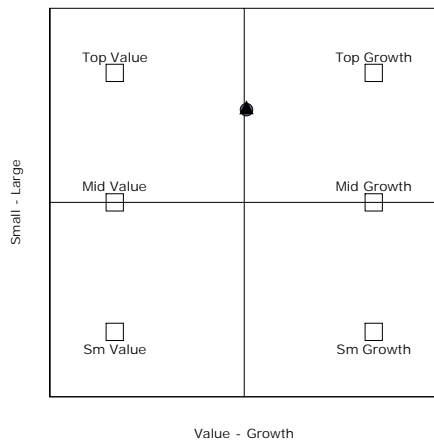
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - BlackRock R1000 Index Fund

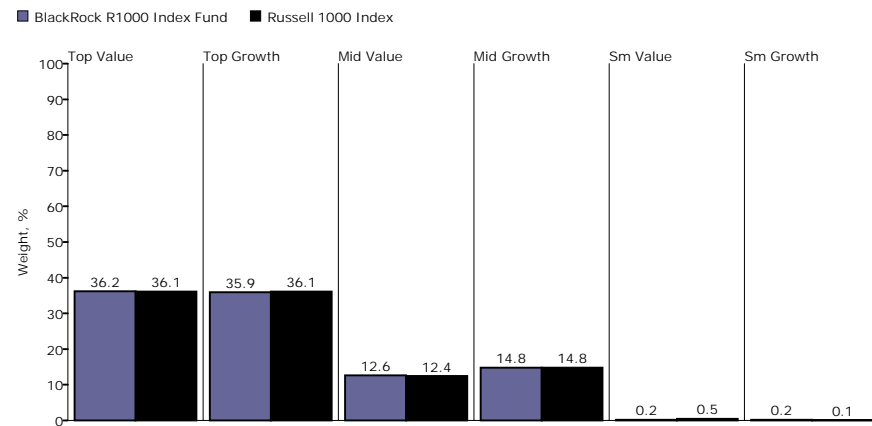
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

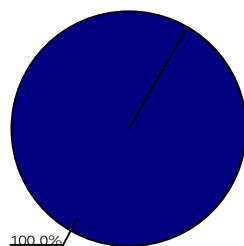
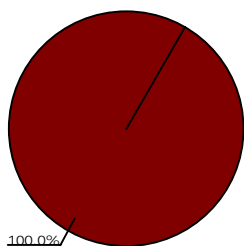


### R-Squared (Style Analysis)

Jan 09 - Dec 11

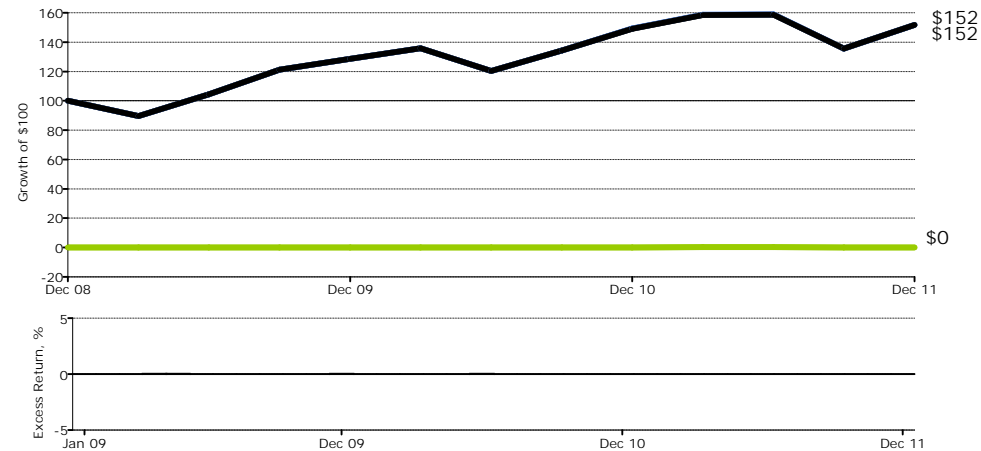
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ Russell 1000 Index

● BlackRock R1000 Index Fund

■ Total

■ Style

■ Selection



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – D.E. Shaw

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	613	
Average Market Cap (000's)	80,018,218	84,629,055
Median Market Cap (000's)	4,399,810	5,069,930
P/E Ratio	16.16	15.46
Dividend Yield	1.80	2.10
Beta	1.03	1.03
Price/Book Ratio	3.12	3.34
Return on Equity	17.89	19.90
Earnings Growth - 5 Years	7.97	7.49

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	4,738,500	4.4
PFIZER INC	2,988,484	2.8
EXXON MOBIL CORP	2,822,508	2.6
WELLS FARGO + CO	2,372,916	2.2
INTL BUSINESS MACHINES CORP	2,280,112	2.1
PROCTER +GAMBLE CO/THE	2,268,140	2.1
VISA INC CLASS A SHARES	2,101,671	2.0
JPMORGAN CHASE + CO	1,795,500	1.7
GENERAL ELECTRIC CO	1,783,836	1.7
NORTHEASTUTILITIES	1,529,620	1.4

Ten Best Performers	
Name	Return
MULTIMEDIAGAMES HOLDING CO	96.5
CHARMING SHOPPES	88.5
PETROLEUMDEVELOPMENT CORP	81.1
UNITED RENTALS INC	75.5
GLOBAL CASH ACCESS HOLDINGS	73.8
LIZ CLAIBORNE INC	72.6
CHENIERE ENERGY INC	68.7
VIRNETX HOLDING CORP	66.6
WABASH NATIONAL CORP	64.4
STONE ENERGY CORP	62.7

Ten Worst Performers	
Name	Return
ROVI CORP	-42.8
FURNITUREBRANDS INTL INC	-40.3
CAREER EDUCATION CORP	-38.9
NETFLIX INC	-38.8
INTERMUNEINC	-37.6
XENOPORT INC	-35.4
DYNEGY INC	-32.8
SINA CORP	-27.4
ILLUMINA INC	-25.5
SPRINT NEXTEL CORP	-23.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

DE Shaw

Benchmark: RUSSELL 1000

Quarter Ending December 31, 2011

## Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
DE Shaw									
COMMINGLED FUND	0.0	0.0	0.0	-	-	-	0.00	0.00	0.00
CONSUMER DISCRETIONARY	13.9	11.5	2.4	14.1	12.5	1.7	0.01	0.23	0.24
CONSUMER STAPLES	9.4	10.6	-1.2	12.4	9.6	2.7	0.02	0.25	0.28
ENERGY	9.4	11.0	-1.6	19.4	18.5	0.9	-0.10	0.08	-0.02
FINANCIALS	14.9	14.3	0.6	12.9	11.1	1.8	-0.00	0.26	0.25
HEALTH CARE	12.9	12.1	0.9	11.3	9.6	1.7	-0.02	0.22	0.20
INDUSTRIALS	10.4	10.6	-0.2	15.2	16.6	-1.4	-0.01	-0.16	-0.17
INFORMATION TECHNOLOGY	19.2	18.8	0.4	8.2	8.6	-0.5	-0.01	-0.11	-0.12
MATERIALS	2.9	3.8	-0.9	15.9	16.2	-0.2	-0.04	-0.02	-0.06
RIGHTS / WARRANTS	0.0	0.0	0.0	-	-	-	-0.00	0.00	-0.00
TELECOMMUNICATION SERVICES	2.2	3.1	-0.9	3.7	7.9	-4.1	0.03	-0.11	-0.07
UTILITIES	4.7	4.1	0.5	9.4	8.6	0.8	-0.02	0.04	0.02
TOTAL	100.0	100.0	0.0	12.5	11.9	0.6	-0.12	0.68	0.56

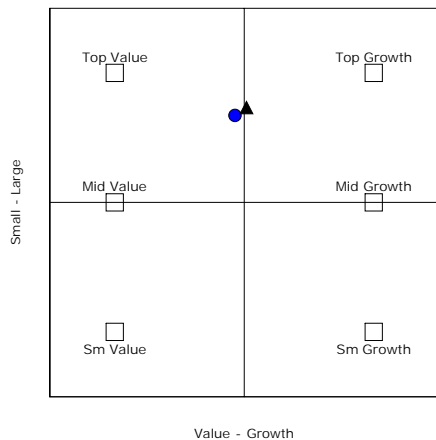
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - D.E. Shaw

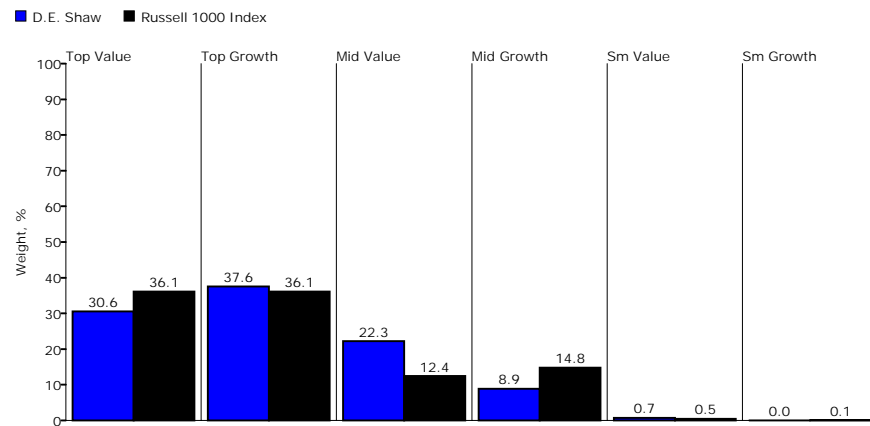
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

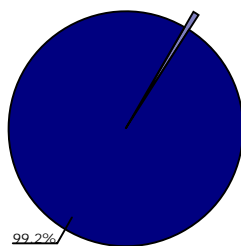
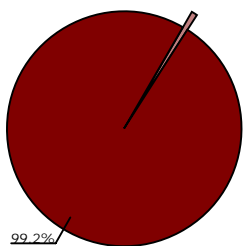


### R-Squared (Style Analysis)

Jan 09 - Dec 11

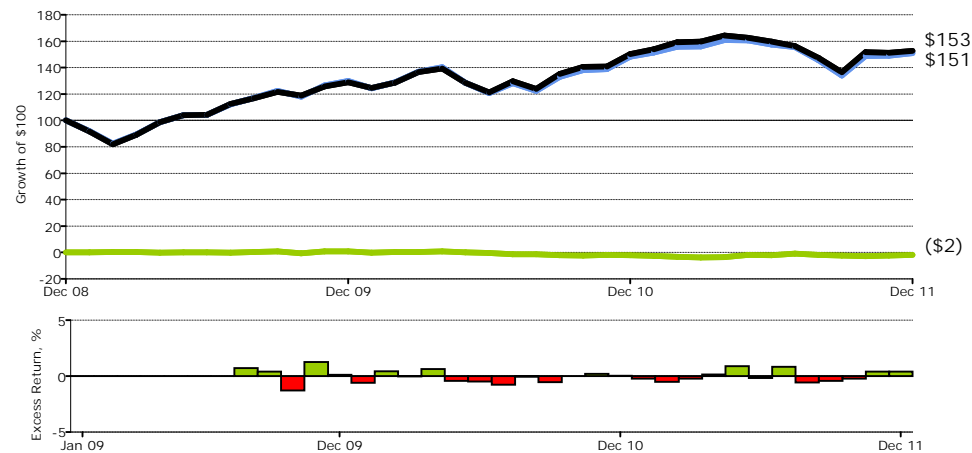
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ Russell 1000 Index ● D.E. Shaw

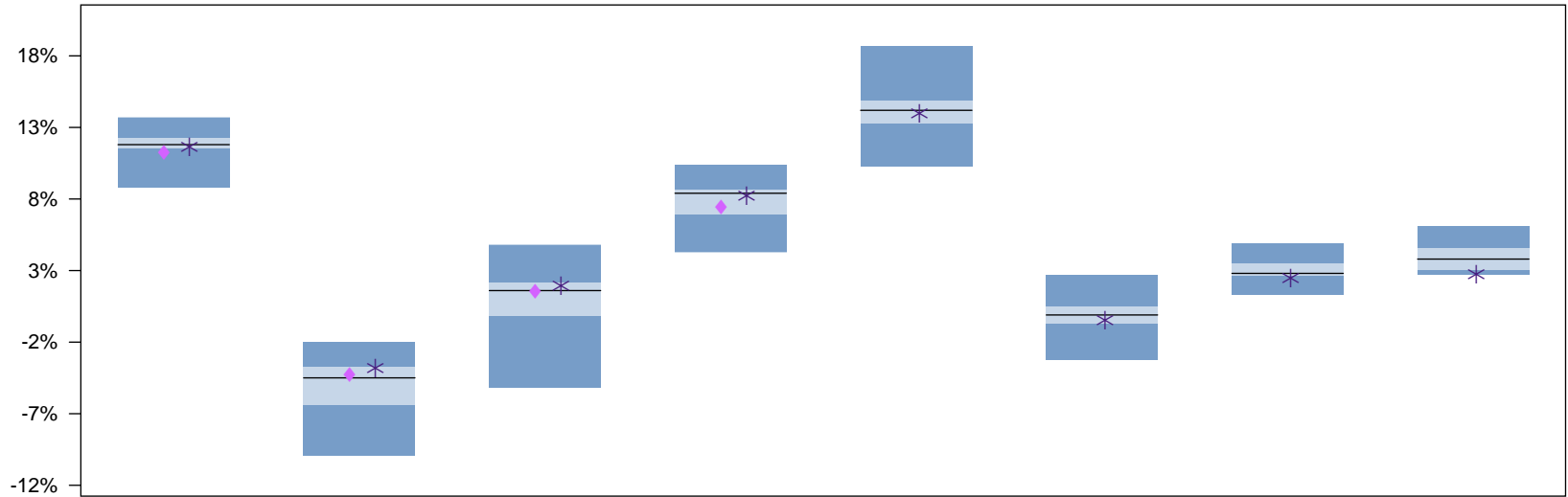
■ Total ■ Style  
■ Selection

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending December 31, 2011

## Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ T Rowe Price	11.7	68	-3.8	40	2.0	44	7.9	61			-0.3	67	2.6	73	2.9	91
* S&P 500	11.8	53	-3.7	31	2.1	40	8.4	49	14.1	63	-0.3	67	2.6	73	2.9	91
Median	11.8		-4.5		1.6		8.4		14.2		-0.1		2.8		3.8	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – T. Rowe Price

Portfolio Characteristics		
	Portfolio	S&P 500
Total Number of Securities	271	
Average Market Cap (000's)	95,397,041	92,910,253
Median Market Cap (000's)	16,744,320	11,040,940
P/E Ratio	15.27	15.52
Dividend Yield	2.01	2.16
Beta	1.03	1.01
Price/Book Ratio	3.39	3.37
Return on Equity	20.85	20.72
Earnings Growth - 5 Years	7.58	7.41

Ten Largest Holdings		
Name	\$	Weight
EXXON MOBIL CORP	4,019,828	3.8
APPLE INC	3,604,500	3.4
AT+T INC	2,485,728	2.4
CHEVRON CORP	2,223,760	2.1
MICROSOFTCORP	2,188,428	2.1
PROCTER +GAMBLE CO/THE	2,108,036	2.0
GOOGLE INCCL A	1,808,520	1.7
GENERAL ELECTRIC CO	1,701,450	1.6
INTL BUSINESS MACHINES CORP	1,673,308	1.6
PFIZER INC	1,669,894	1.6

Ten Best Performers	
Name	Return
LYONDELLBASELL INDU CL A	54.2
EL PASO CORP	52.1
LENNAR CORP A	45.5
VULCAN MATERIALS CO	42.8
RYDER SYSTEM INC	42.5
EOG RESOURCES INC	39.0
FMC TECHNOLOGIES INC	38.9
STANLEY BLACK + DECKER INC	38.5
WILLIAMS COS INC	36.7
PALL CORP	35.3

Ten Worst Performers	
Name	Return
SPRINT NEXTEL CORP	-23.0
AMAZON.COMINC	-19.9
HOSPIRA INC	-17.9
DENDREON CORP	-15.6
BROADCOM CORP CL A	-11.5
BAXTER INTERNATIONAL INC	-11.3
THERMO FISHER SCIENTIFIC INC	-11.2
COMPUTER SCIENCES CORP	-11.0
ORACLE CORP	-10.6
AVON PRODUCTS INC	-9.7

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

T Rowe Price

Benchmark: S&P 500

Quarter Ending December 31, 2011

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<b>T Rowe Price</b>									
CONSUMER DISCRETIONARY	12.1	10.6	1.5	11.2	12.7	-1.5	0.01	-0.18	-0.17
CONSUMER STAPLES	10.5	11.7	-1.2	8.9	10.2	-1.3	0.02	-0.13	-0.11
ENERGY	12.3	11.6	0.7	18.0	18.2	-0.2	0.04	-0.02	0.02
FINANCIALS	13.4	13.6	-0.2	11.4	10.8	0.6	0.00	0.08	0.08
HEALTH CARE	12.1	12.1	-0.0	9.8	10.1	-0.3	0.00	-0.04	-0.04
INDUSTRIALS	10.8	10.3	0.4	16.4	16.4	0.0	0.02	0.01	0.02
INFORMATION TECHNOLOGY	19.0	19.4	-0.4	9.3	8.9	0.4	0.01	0.07	0.08
MATERIALS	3.1	3.4	-0.2	18.3	15.3	3.0	-0.01	0.10	0.09
TELECOMMUNICATION SERVICES	3.3	3.3	-0.0	6.3	7.9	-1.6	0.00	-0.05	-0.05
UTILITIES	3.3	4.0	-0.6	7.7	8.3	-0.6	0.02	-0.02	0.00
TOTAL	100.0	100.0	0.0	11.8	11.9	-0.1	0.11	-0.19	-0.07

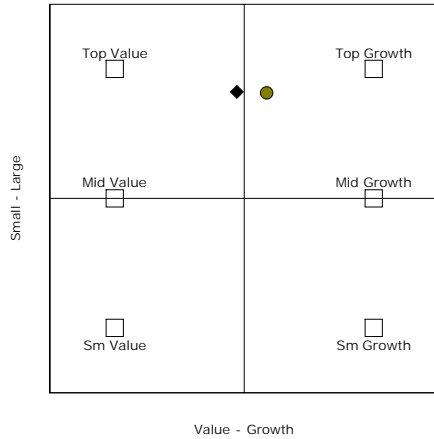
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - T. Rowe Price

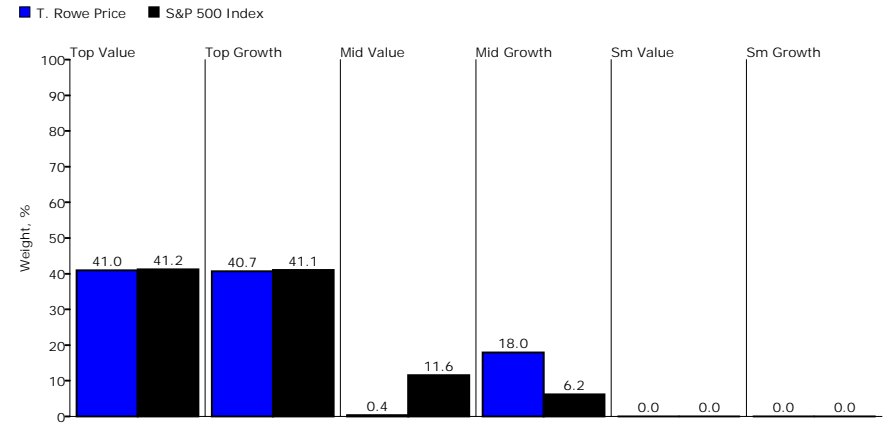
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

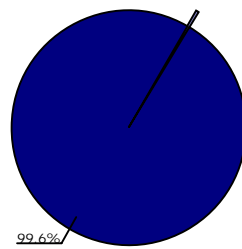
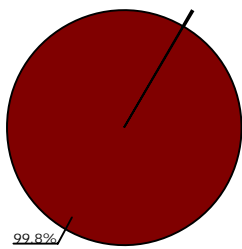


### R-Squared (Style Analysis)

Jan 09 - Dec 11

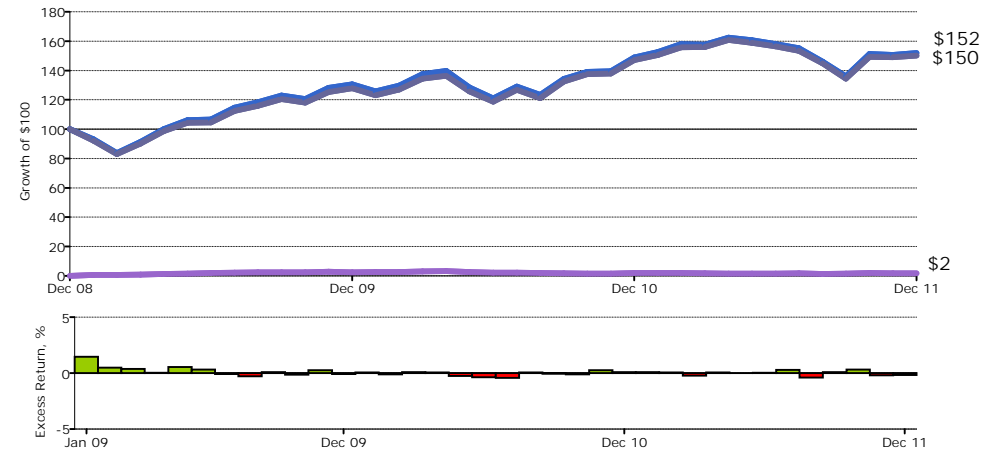
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ S&P 500 Index ● T. Rowe Price

■ Total  
■ Selection

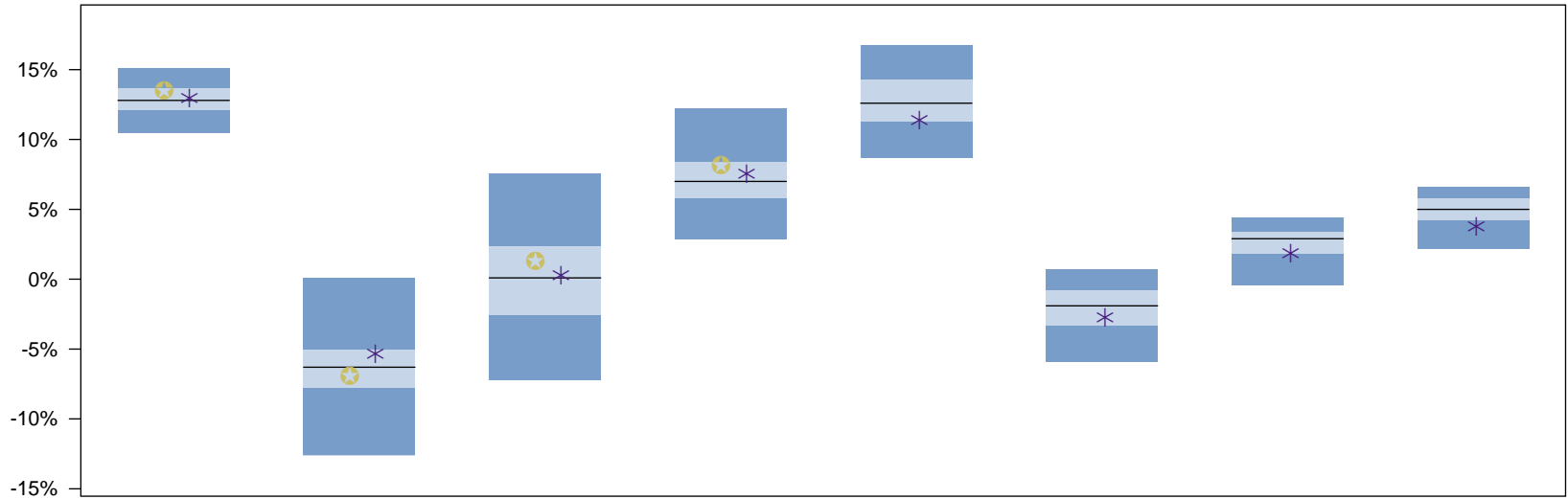
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Value

Periods Ending December 31, 2011

## Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
✦ Barrow Hanley	13.7	25	-6.7	59	1.5	35	8.4	25								
* RUSSELL 1000 VALUE	13.1	41	-5.2	31	0.4	46	7.7	38	11.5	70	-2.6	69	2.0	75	3.9	81
Median	12.8		-6.3		0.1		7.0		12.6		-1.9		2.9		5.0	



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – Barrow Hanley

Portfolio Characteristics		
	Portfolio	Russell 1000 Value
Total Number of Securities	87	
Average Market Cap (000's)	51,000,900	72,210,948
Median Market Cap (000's)	19,501,120	4,656,710
P/E Ratio	13.82	13.76
Dividend Yield	2.80	2.60
Beta	1.14	1.07
Price/Book Ratio	2.34	1.81
Return on Equity	16.52	12.79
Earnings Growth - 5 Years	1.74	0.62

Ten Largest Holdings		
Name	\$	Weight
STANLEY BLACK + DECKER INC	4,495,400	3.0
CAPITAL ONE FINANCIAL CORP	4,106,359	2.8
SLM CORP	3,291,040	2.2
UNITEDHEALTH GROUP INC	3,223,248	2.2
CONOCOPHILLIPS	2,994,957	2.0
PNC FINANCIAL SERVICES GROUP	2,935,403	2.0
PFIZER INC	2,919,561	2.0
BP PLC	2,735,360	1.8
PHILIP MORRIS INTERNATIONAL	2,668,320	1.8
WELLPOINTINC	2,597,000	1.7

Ten Best Performers	
Name	Return
MASCO CORP	48.6
STANLEY BLACK + DECKER INC	38.5
NEWELL RUBBERMAID INC	36.8
MARATHON OIL CORP	36.4
RENT A CENTER INC	36.1
OMNICARE INC	35.6
SPX CORP	33.6
ONEOK INC	32.2
OCCIDENTALPETROLEUM CORP	31.7
PHILIP MORRIS INTERNATIONAL	27.1

Ten Worst Performers	
Name	Return
HANESBRANDS INC	-12.6
BAXTER INTERNATIONAL INC	-11.3
BANK OF AMERICA CORP	-9.0
CARDINAL HEALTH INC	-2.5
ANNALY CAPITAL MANAGEMENT IN	-0.7
CIGNA CORP	0.1
WALGREEN CO	1.2
WELLPOINTINC	1.9
CITIGROUP INC	2.7
GOODRICH CORP	2.8

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Barrow Hanley

Benchmark: RUSSELL 1000 VALUE

Quarter Ending December 31, 2011

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<b>Barrow Hanley</b>									
CONSUMER DISCRETIONARY	8.9	8.8	0.1	18.7	17.9	0.8	0.00	0.07	0.08
CONSUMER STAPLES	8.2	8.1	0.1	14.0	10.7	3.3	-0.00	0.27	0.27
ENERGY	11.4	11.7	-0.3	23.6	18.5	5.1	-0.01	0.57	0.56
FINANCIALS	22.7	24.8	-2.2	11.0	11.0	-0.0	0.04	-0.01	0.04
HEALTH CARE	17.3	13.1	4.2	9.0	11.7	-2.7	-0.05	-0.47	-0.52
INDUSTRIALS	14.2	8.8	5.4	18.2	18.2	-0.0	0.24	-0.01	0.23
INFORMATION TECHNOLOGY	9.5	8.8	0.8	10.1	13.3	-3.2	0.00	-0.31	-0.31
MATERIALS	0.8	2.6	-1.8	7.8	17.2	-9.4	-0.06	-0.08	-0.14
TELECOMMUNICATION SERVICES	2.7	5.1	-2.4	9.8	7.5	2.3	0.12	0.06	0.18
UTILITIES	4.4	8.3	-3.9	13.0	8.7	4.4	0.16	0.19	0.35
TOTAL	100.0	100.0	0.0	13.9	13.1	0.8	0.43	0.29	0.72

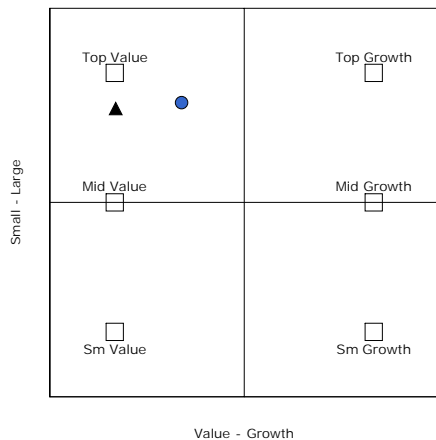
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - Barrow Hanley

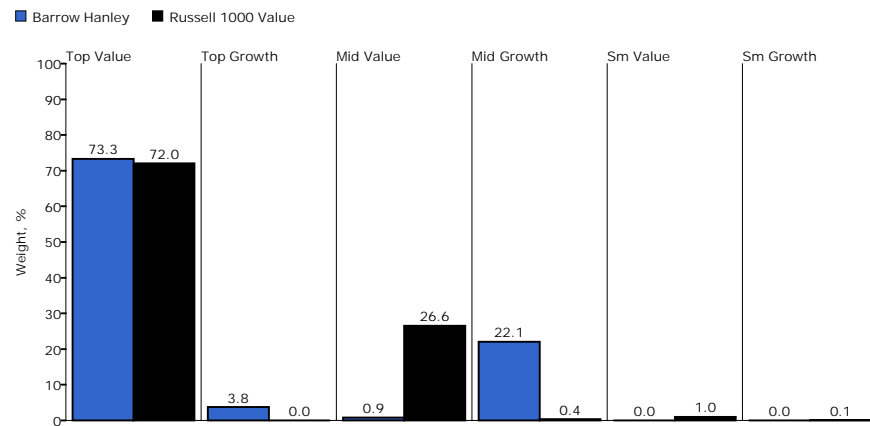
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

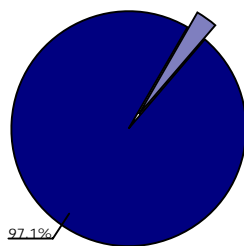
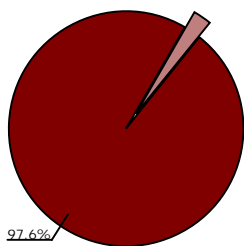


### R-Squared (Style Analysis)

Jan 09 - Dec 11

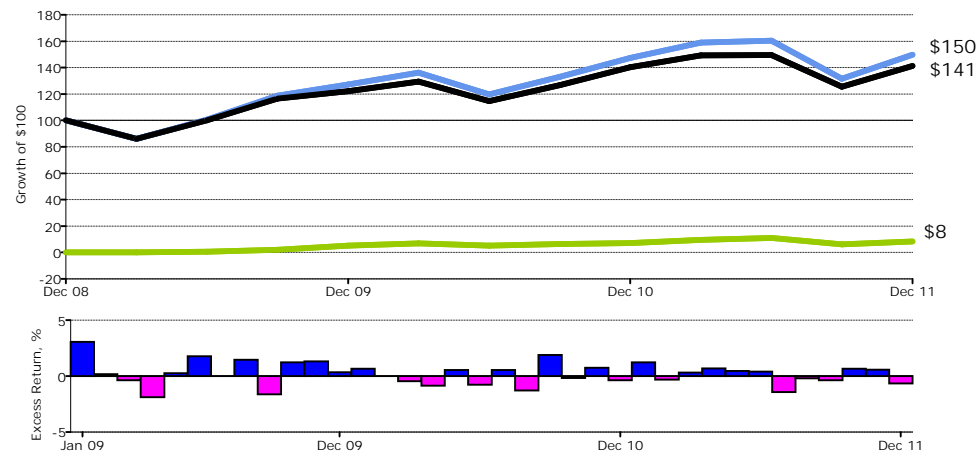
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ Russell 1000 Value ● Barrow Hanley

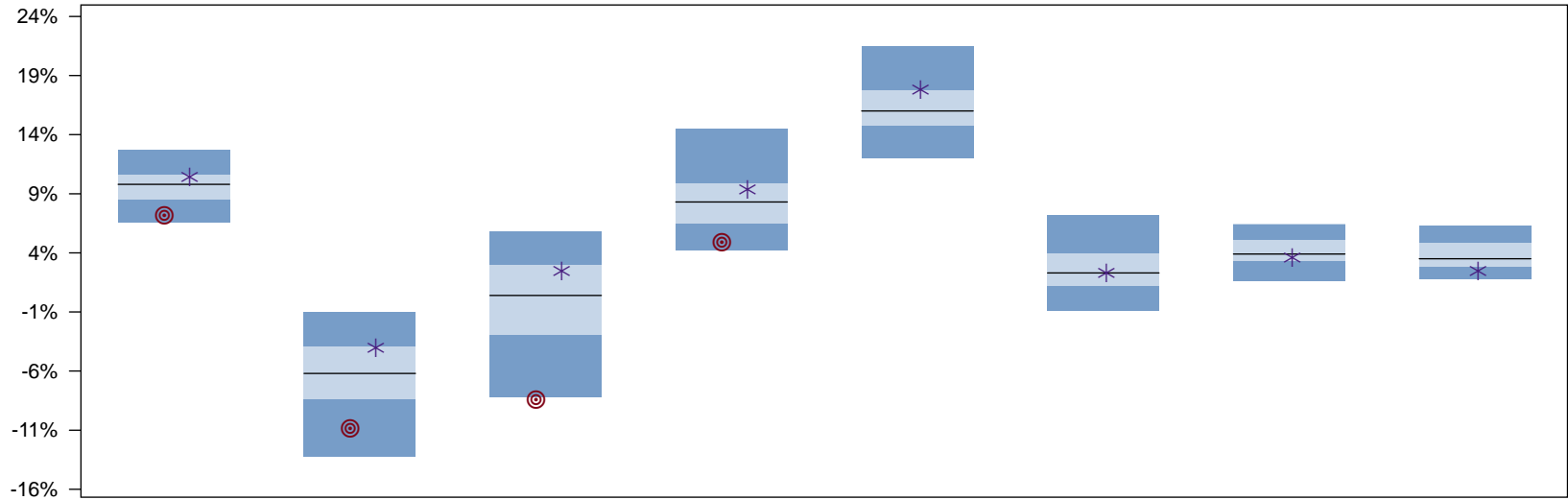
■ Total ■ Style  
■ Selection

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Growth

Periods Ending December 31, 2011

## Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
⊙ BlackRock	7.4	87	-10.6	87	-8.2	96	5.1	86								
* RUSSELL 1000 GROWTH	10.6	27	-3.9	25	2.6	30	9.5	38	18.0	24	2.5	46	3.8	53	2.6	83
Median	9.8		-6.2		0.4		8.3		16.0		2.3		3.9		3.5	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – BlackRock

Portfolio Characteristics		
	Portfolio	Russell 1000 Growth
Total Number of Securities	76	
Average Market Cap (000's)	99,391,003	97,102,931
Median Market Cap (000's)	27,271,005	5,646,475
P/E Ratio	19.17	17.47
Dividend Yield	1.28	1.61
Beta	1.05	0.98
Price/Book Ratio	4.29	4.88
Return on Equity	22.33	27.03
Earnings Growth - 5 Years	14.02	14.26

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	11,340,000	7.5
BOEING CO/THE	6,484,140	4.3
QUALCOMM INC	5,688,800	3.8
PROCTER +GAMBLE CO/THE	5,303,445	3.5
GOOGLE INCCL A	5,038,020	3.3
COCA COLACO/THE	4,408,110	2.9
DANAHER CORP	4,007,808	2.7
EXXON MOBIL CORP	3,983,720	2.6
AMAZON.COMINC	3,531,240	2.3
ANADARKO PETROLEUM CORP	2,908,173	1.9

Ten Best Performers	
Name	Return
STANLEY BLACK + DECKER INC	38.5
CELANESE CORP SERIES A	36.3
APOLLO GROUP INC CL A	36.0
TEREX CORP	31.7
HOME DEPOTINC	28.8
RACKSPACEHOSTING INC	26.0
VALEANT PHARMACEUTICALS INTE	25.8
GOOGLE INCCL A	25.6
STARBUCKSCORP	23.9
BOEING CO/THE	22.0

Ten Worst Performers	
Name	Return
GREEN MOUNTAIN COFFEE ROASTE	-51.7
AMAZON.COMINC	-19.9
AVAGO TECHNOLOGIES LTD	-11.6
BROADCOM CORP CL A	-11.5
SALESFORCE.COM INC	-11.2
CERNER CORP	-10.6
ORACLE CORP	-10.6
MARVELL TECHNOLOGY GROUP LTD	-4.7
POTASH CORP OF SASKATCHEWAN	-4.3
CARDINAL HEALTH INC	-2.5

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock

Benchmark: RUSSELL 1000 GROWTH

Quarter Ending December 31, 2011

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<b>BlackRock</b>									
CONSUMER DISCRETIONARY	15.7	14.3	1.4	10.9	9.3	1.6	-0.02	0.28	0.27
CONSUMER STAPLES	11.3	13.0	-1.8	4.4	9.0	-4.6	0.03	-0.52	-0.49
ENERGY	8.6	10.3	-1.7	15.0	18.6	-3.6	-0.12	-0.30	-0.43
FINANCIALS	2.3	3.8	-1.5	12.0	12.3	-0.2	-0.02	-0.01	-0.03
HEALTH CARE	12.1	11.0	1.0	-0.6	7.2	-7.8	-0.03	-0.93	-0.96
INDUSTRIALS	12.9	12.3	0.5	16.5	15.6	1.0	0.02	0.16	0.18
INFORMATION TECHNOLOGY	33.1	28.7	4.4	6.1	7.3	-1.1	-0.13	-0.37	-0.50
MATERIALS	2.3	5.1	-2.8	17.6	15.6	2.0	-0.13	0.08	-0.05
TELECOMMUNICATION SERVICES	1.8	1.2	0.6	10.5	9.3	1.2	-0.01	0.06	0.05
UTILITIES	0.0	0.1	-0.1	-	3.9	-	0.01	0.00	0.01
TOTAL	100.0	100.0	0.0	8.4	10.6	-2.2	-0.41	-1.55	-1.94

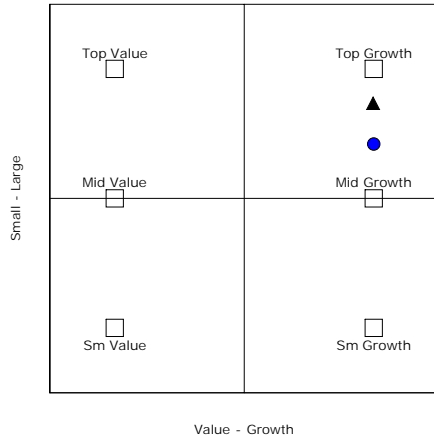
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - BlackRock

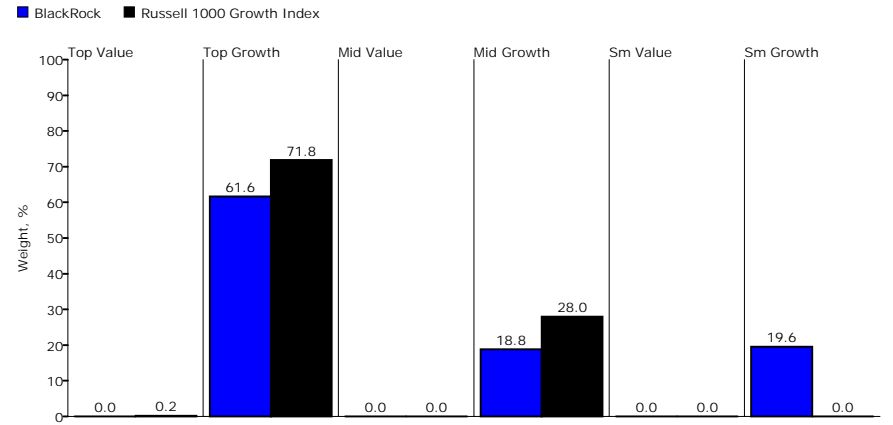
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

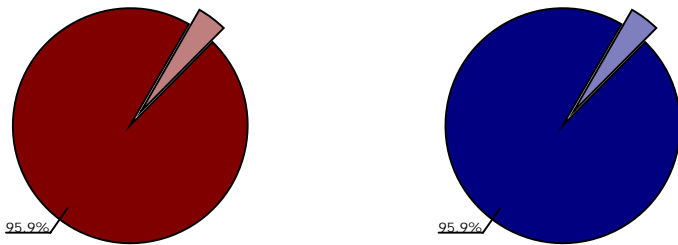


### R-Squared (Style Analysis)

Jan 09 - Dec 11

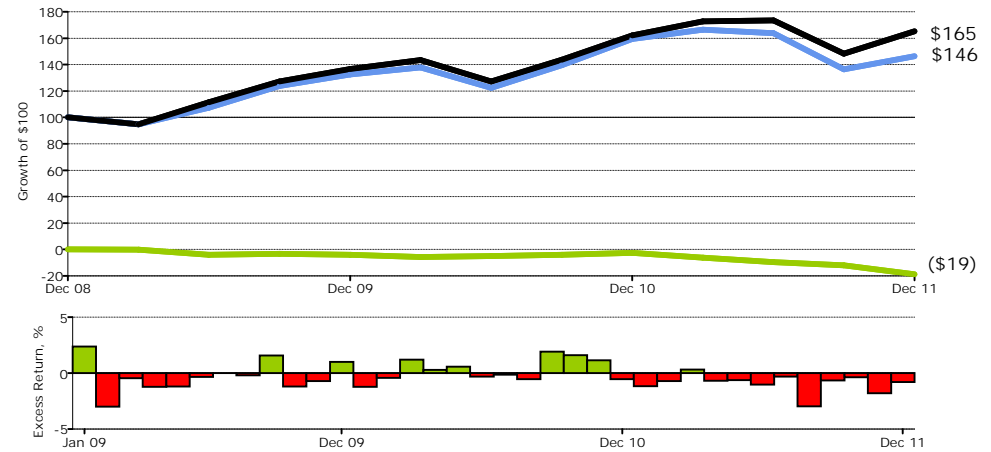
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ Russell 1000 Growth Index ● BlackRock

■ Total ■ Selection

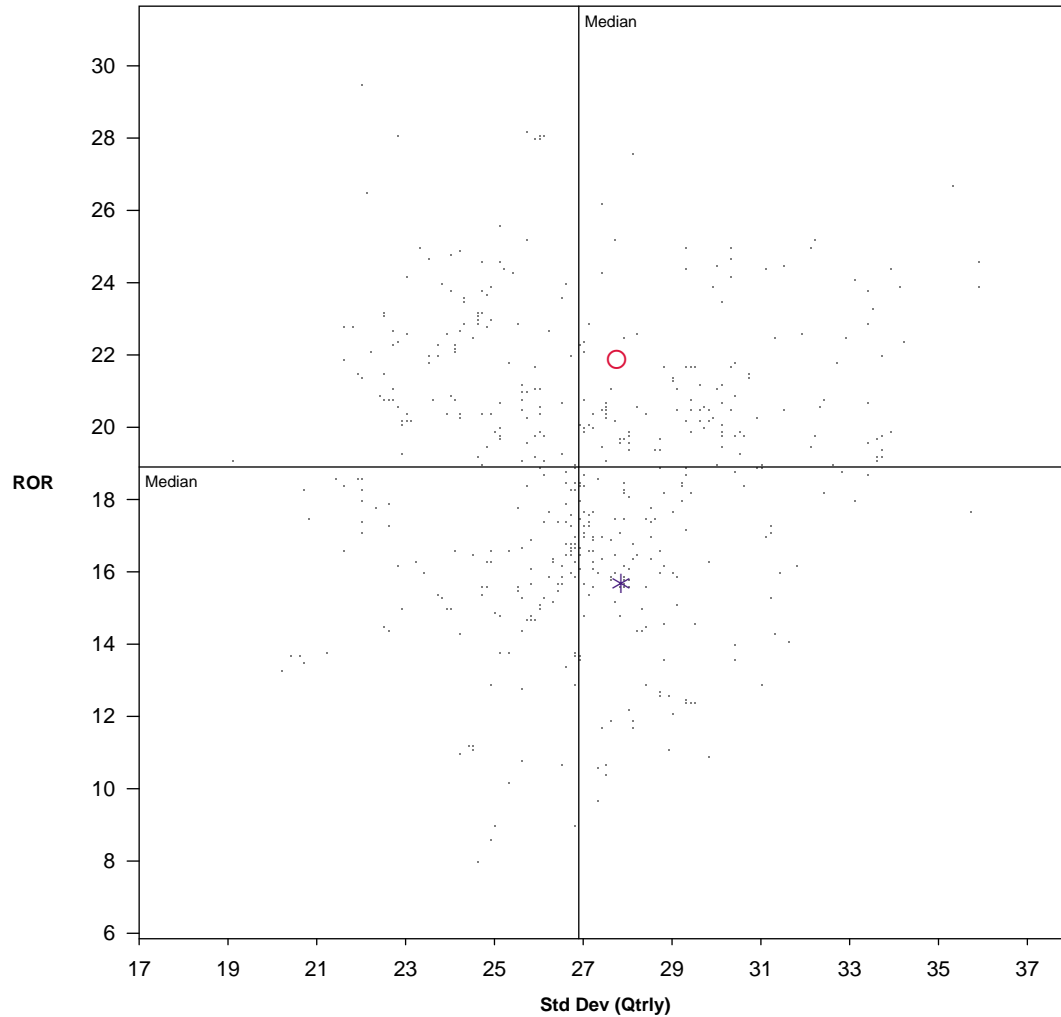
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending December 31, 2011

## Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	21.8 22	27.8 63	0.8 27
* RUSSELL 2000	15.6 81	27.9 64	0.6 85
Median	18.9	26.9	0.7

\* Standard deviation is based on quarterly returns

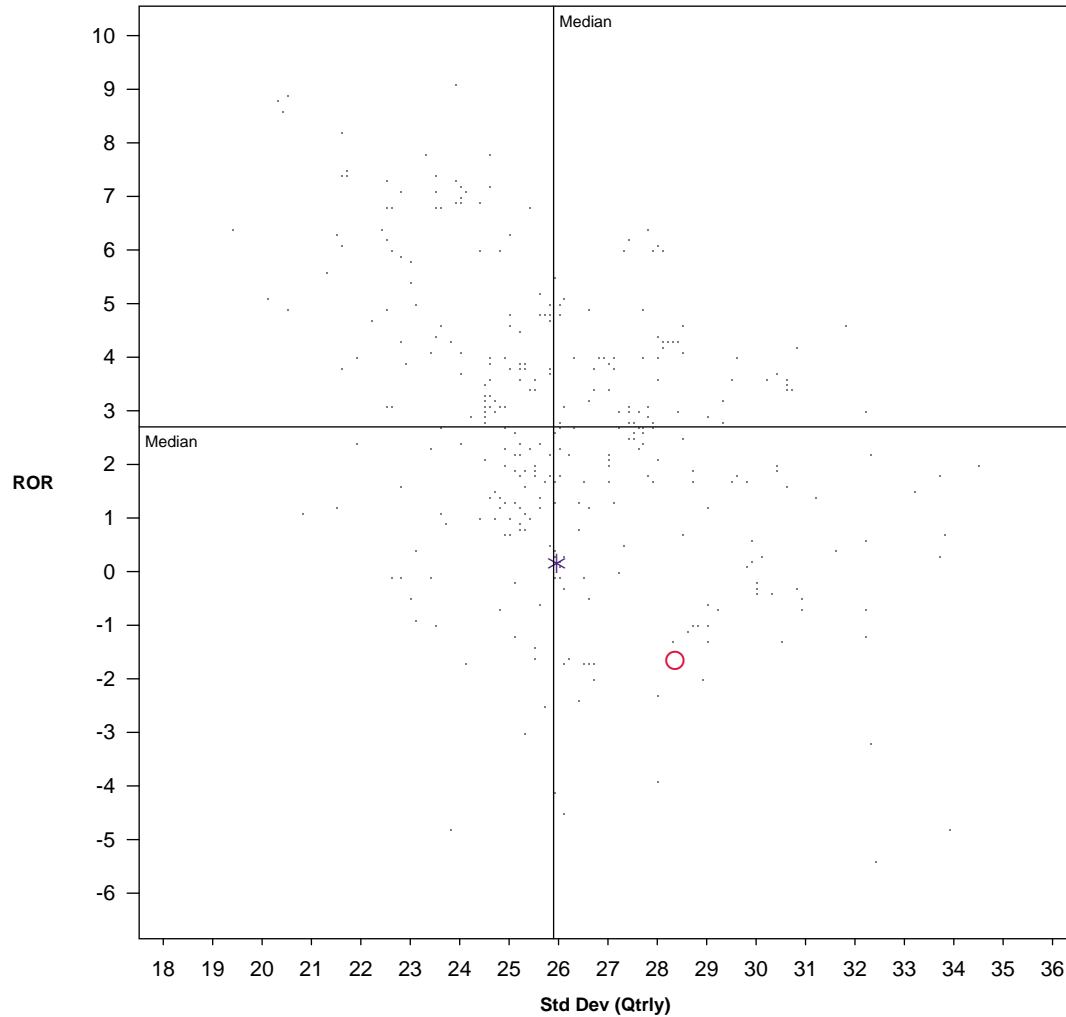


# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Period Ending December 31, 2011

## Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
○ Small Cap	-1.7 96	28.4 81	-0.1 95
* RUSSELL 2000	0.1 83	26.0 55	-0.1 84
Median	2.7	25.9	0.0

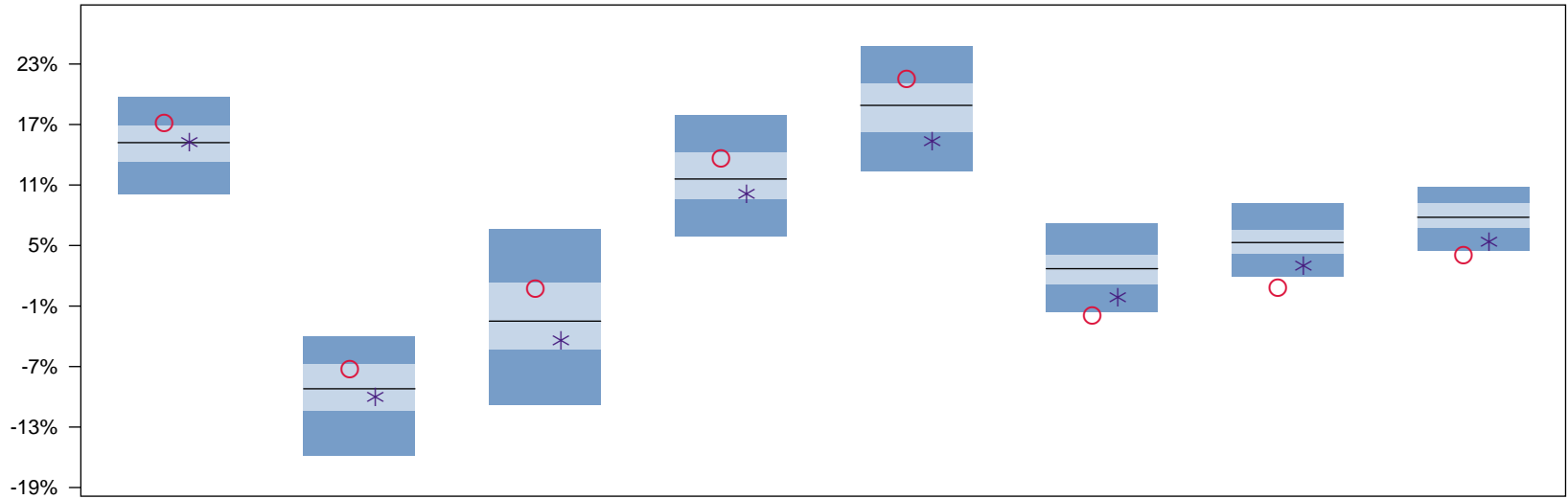
\* Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Periods Ending December 31, 2011

## Total Returns



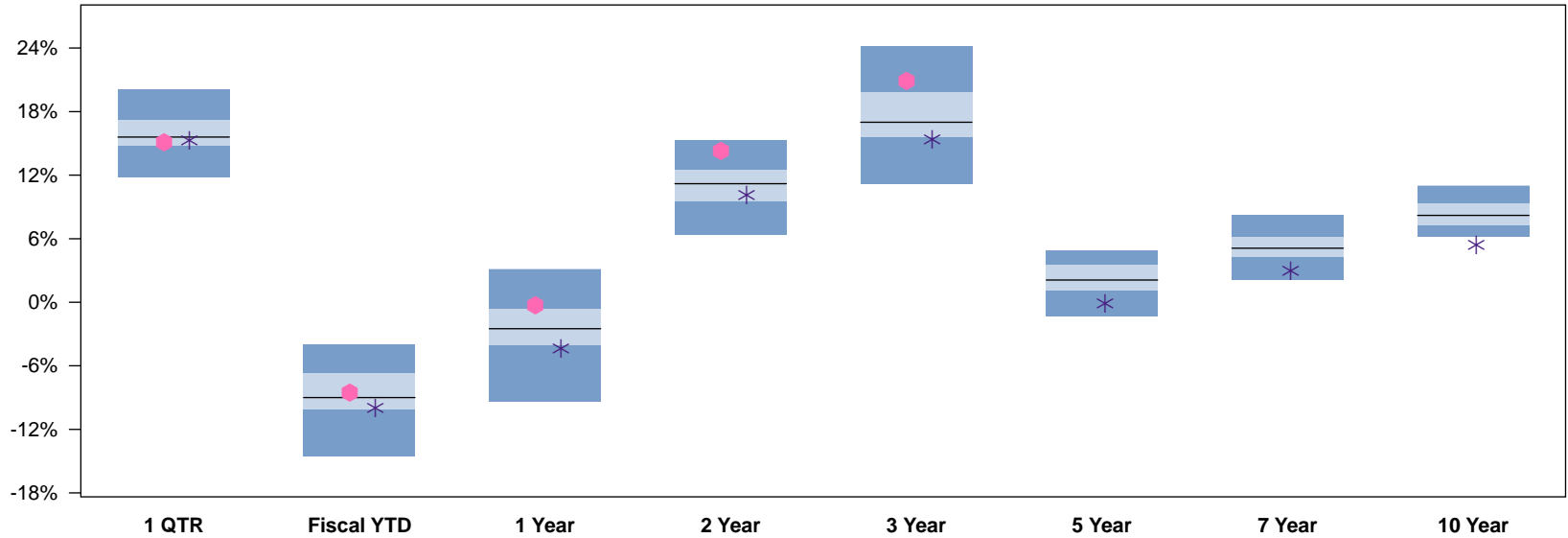
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
○ Small Cap	17.4	19	-7.0	27	1.0	27	13.9	27	21.8	22	-1.7	96	1.1	97	4.3	97
* RUSSELL 2000	15.5	45	-9.8	59	-4.2	70	10.3	68	15.6	81	0.1	83	3.2	87	5.6	90
Median	15.2		-9.2		-2.5		11.6		18.9		2.7		5.3		7.8	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Core

Periods Ending December 31, 2011

## Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● Jennison	15.3	58	-8.3	40	-0.1	20	14.5	9	21.1	15						
* RUSSELL 2000	15.5	53	-9.8	70	-4.2	76	10.3	65	15.6	74	0.1	86	3.2	90	5.6	97
Median	15.6		-9.0		-2.5		11.2		17.0		2.1		5.1		8.2	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – Jennison

Portfolio Characteristics		
	Portfolio	Russell 2000
Total Number of Securities	115	
Average Market Cap (000's)	1,940,074	1,242,073
Median Market Cap (000's)	1,625,310	467,190
P/E Ratio	19.15	16.67
Dividend Yield	1.22	1.46
Beta	1.25	1.25
Price/Book Ratio	3.45	2.73
Return on Equity	14.65	9.97
Earnings Growth - 5 Years	10.08	6.08

Ten Largest Holdings		
Name	\$	Weight
WHITE MOUNTAINS INSURANCE GP	2,167,992	2.3
RBC BEARINGS INC	2,145,507	2.3
HEARTLANDEXPRESS INC	1,801,140	2.0
AIR METHODS CORP	1,718,811	1.9
ALLIANCE DATA SYSTEMS CORP	1,442,026	1.6
DRESSER RAND GROUP INC	1,441,600	1.6
TELEDYNE TECHNOLOGIES INC	1,441,513	1.6
MFA FINANCIAL INC	1,376,135	1.6
ROSETTA RESOURCES INC	1,372,469	1.5
RUDDICK CORP	1,358,084	1.5

Ten Best Performers	
Name	Return
COMPLETE PRODUCTION SERVICES	78.0
AMERIGROUPCORP	51.4
WOODWARD INC	49.6
THOMAS PROPERTIES GROUP	46.8
B+G FOODSINC	45.7
PROTECTMELIFE CORP	45.4
RELIANCE STEEL + ALUMINUM	43.6
HERSHA HOSPITALITY TRUST	42.8
WRIGHT EXPRESS CORP	42.7
BANK OF THE OZARKS	42.2

Ten Worst Performers	
Name	Return
OCLARO INC	-22.5
DECKERS OUTDOOR CORP	-19.0
U S GOLD CORP	-16.2
CASTLE (A.M.) + CO	-13.5
BIO REFERENCE LABS INC	-11.6
VERA BRADLEY INC	-10.5
MAP PHARMACEUTICALS INC	-9.9
CATALYST HEALTH SOLUTIONS IN	-9.9
INTREPID POTASH INC	-9.0
BRUKER CORP	-8.2

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Jennison

Benchmark: RUSSELL 2000

Quarter Ending December 31, 2011

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<b>Jennison</b>									
CONSUMER DISCRETIONARY	12.4	13.3	-0.9	3.4	16.3	-12.9	-0.01	-1.56	-1.57
CONSUMER STAPLES	5.5	3.8	1.7	13.1	8.7	4.4	-0.10	0.26	0.15
ENERGY	6.1	5.1	1.0	35.0	24.4	10.6	0.07	0.66	0.73
FINANCIALS	19.7	23.1	-3.4	19.1	16.3	2.8	-0.02	0.53	0.51
HEALTH CARE	13.0	12.3	0.7	8.0	13.0	-5.0	-0.02	-0.67	-0.69
INDUSTRIALS	20.0	15.8	4.1	22.2	19.7	2.5	0.14	0.51	0.65
INFORMATION TECHNOLOGY	16.1	16.5	-0.4	14.7	12.9	1.8	0.01	0.28	0.29
MATERIALS	2.6	5.0	-2.4	-3.7	14.8	-18.5	0.02	-0.48	-0.47
TELECOMMUNICATION SERVICES	4.0	1.0	3.0	20.5	10.2	10.3	-0.15	0.43	0.28
UTILITIES	0.6	4.1	-3.5	14.1	11.5	2.6	0.13	0.01	0.14
TOTAL	100.0	100.0	0.0	15.7	15.7	0.0	0.07	-0.05	0.02

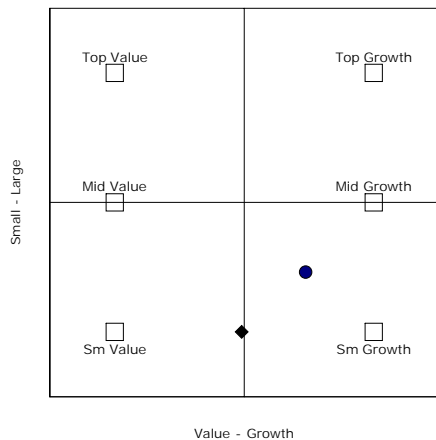
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - Jennison

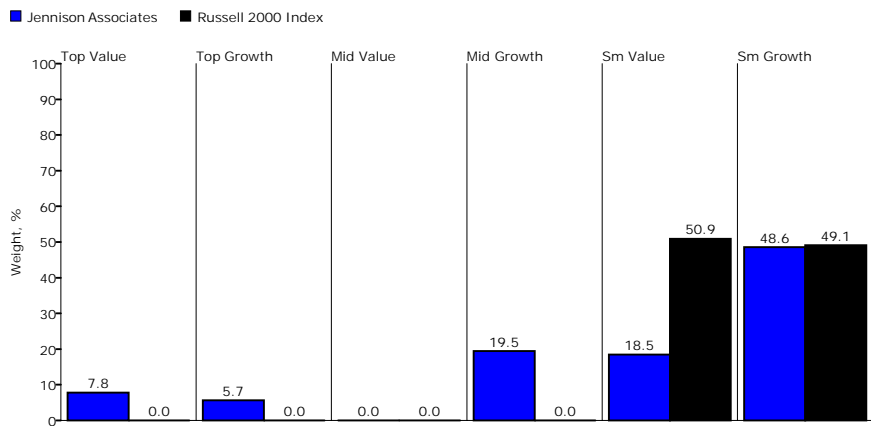
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

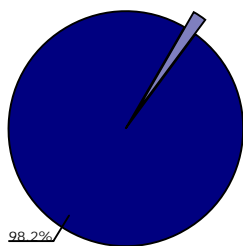
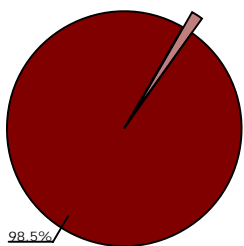


### R-Squared (Style Analysis)

Jan 09 - Dec 11

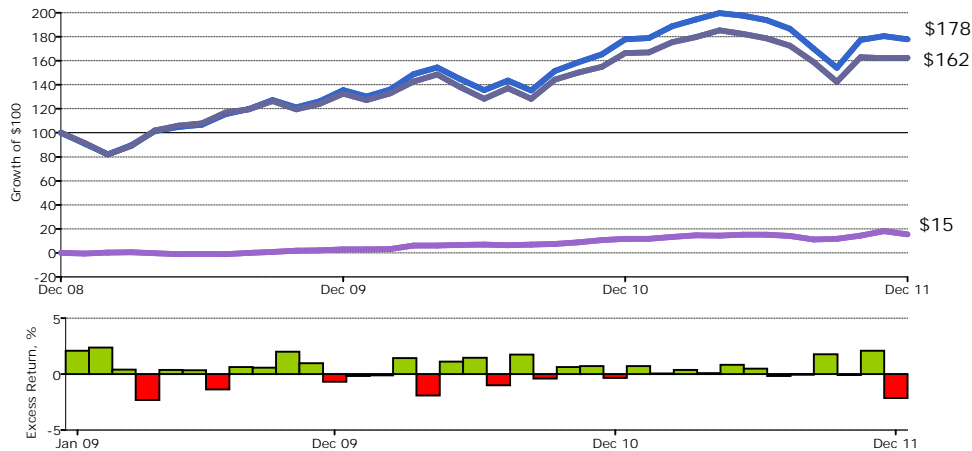
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ Russell 2000 Index ● Jennison Associates

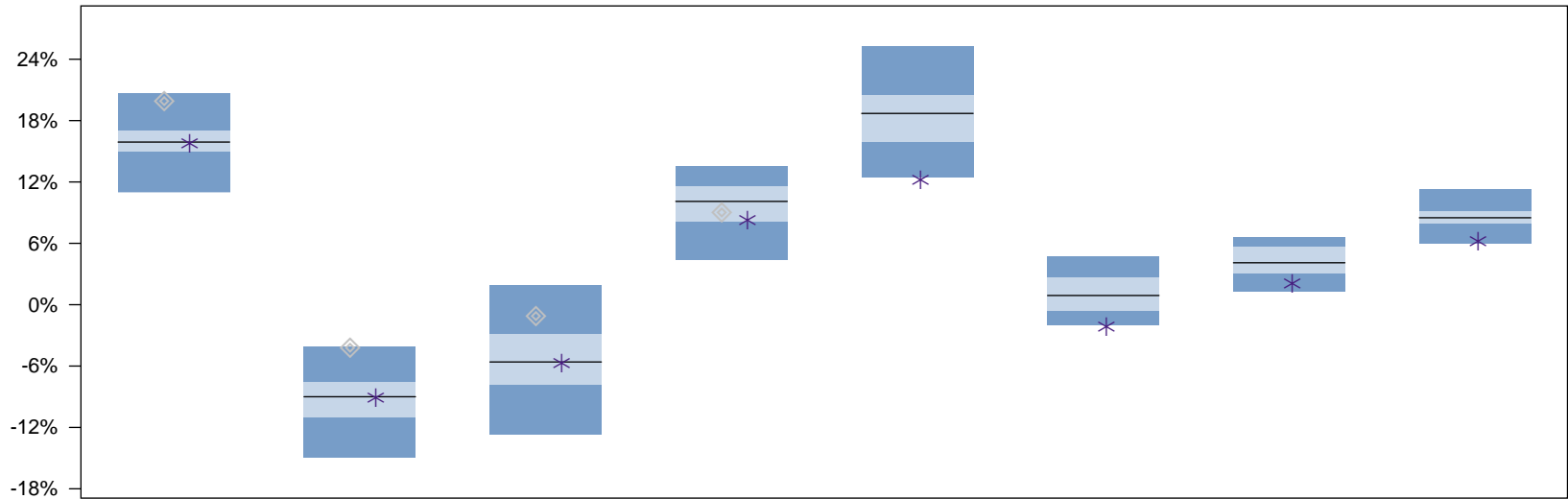
■ Total ■ Style ■ Selection

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Value

Periods Ending December 31, 2011

## Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ The Boston Co	20.1	8	-4.0	3	-0.9	16	9.2	58								
* RUSSELL 2000 VALUE	16.0	45	-8.9	49	-5.5	50	8.5	70	12.4	97	-1.9	95	2.3	84	6.4	92
Median	15.9		-9.0		-5.6		10.1		18.7		0.9		4.1		8.5	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – The Boston Company

Portfolio Characteristics		
	Portfolio	Russell 2000 Value
Total Number of Securities	132	
Average Market Cap (000's)	1,476,524	1,085,924
Median Market Cap (000's)	1,276,060	411,790
P/E Ratio	18.12	13.64
Dividend Yield	1.48	2.20
Beta	1.29	1.31
Price/Book Ratio	1.86	1.42
Return on Equity	10.16	7.22
Earnings Growth - 5 Years	(3.90)	(2.13)

Ten Largest Holdings		
Name	\$	Weight
MEREDITH CORP	832,902	1.8
RSC HOLDINGS INC	719,095	1.5
WEBSTER FINANCIAL CORP	660,840	1.4
BRINK S CO/THE	618,240	1.3
SPIRIT AEROSYSTEMS HOLD CL A	583,710	1.2
BIOMED REALTY TRUST INC	582,357	1.2
HAWAIIAN ELECTRIC INDS	558,198	1.2
LOUISIANAPACIFIC CORP	553,925	1.2
FTI CONSULTING INC	548,066	1.2
DIAMONDROCK HOSPITALITY CO	543,792	1.2

Ten Best Performers	
Name	Return
RSC HOLDINGS INC	159.5
ETHAN ALLEN INTERIORS INC	75.1
BIG 5 SPORTING GOODS CORP	73.2
DAWSON GEOPHYSICAL CO	67.6
SALIX PHARMACEUTICALS LTD	61.7
WINN DIXIESTORES INC	58.4
LOUISIANAPACIFIC CORP	58.2
NETSCOUT SYSTEMS INC	54.1
MERITAGE HOMES CORP	53.2
AMERIGROUPCORP	51.4

Ten Worst Performers	
Name	Return
SKECHERS USA INC CL A	-13.6
MEDICIS PHARMACEUTICAL CL A	-8.6
TRIQUINT SEMICONDUCTOR INC	-3.0
CHICO S FAS INC	-2.1
FLOWERS FOODS INC	-1.7
EXPRESS INC	-1.7
FIRST AMERICAN FINANCIAL	-0.5
LIFEPOINTHOSPITALS INC	1.4
STERIS CORP	2.5
VIAD CORP	3.2



## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

The Boston Co

Benchmark: RUSSELL 2000 VALUE

Quarter Ending December 31, 2011

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<b>The Boston Co</b>									
CONSUMER DISCRETIONARY	15.2	12.3	2.8	20.4	19.3	1.1	0.07	0.17	0.24
CONSUMER STAPLES	6.1	3.1	3.0	12.8	12.4	0.4	-0.11	0.03	-0.08
ENERGY	6.3	3.9	2.4	16.9	16.9	-0.0	0.01	-0.28	-0.27
FINANCIALS	24.7	36.4	-11.7	21.2	17.1	4.0	-0.10	0.96	0.86
HEALTH CARE	10.1	5.3	4.8	16.9	13.5	3.4	-0.12	0.34	0.23
INDUSTRIALS	16.3	14.4	1.9	29.0	17.9	11.2	0.03	1.78	1.80
INFORMATION TECHNOLOGY	9.8	10.1	-0.3	23.0	13.6	9.4	0.01	0.91	0.91
MATERIALS	5.1	5.5	-0.4	19.3	16.0	3.3	0.00	0.17	0.17
TELECOMMUNICATION SERVICES	0.3	0.9	-0.6	21.3	10.9	10.4	0.03	0.03	0.06
UTILITIES	6.1	8.0	-1.9	10.9	11.1	-0.2	0.08	-0.29	-0.21
TOTAL	100.0	100.0	0.0	20.6	16.2	4.4	-0.09	3.85	3.76

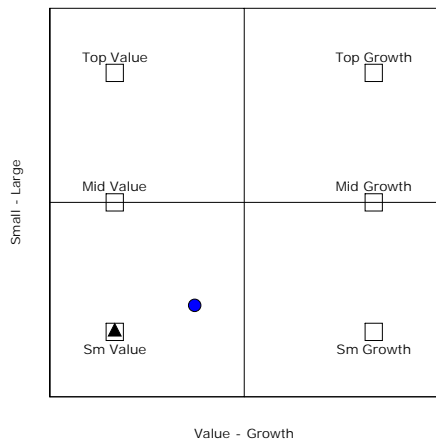
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - The Boston Company

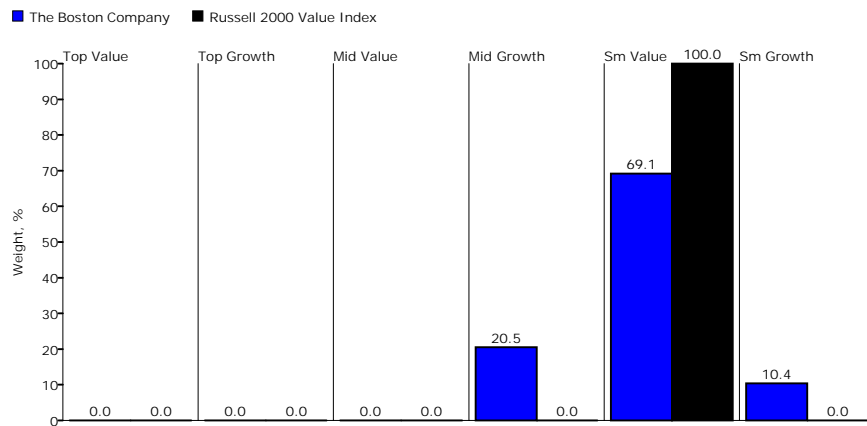
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

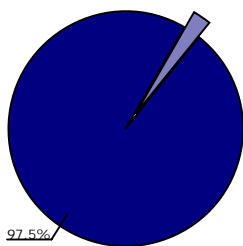
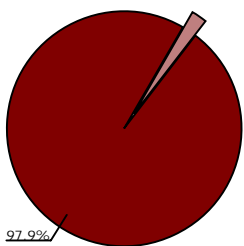


### R-Squared (Style Analysis)

Jan 09 - Dec 11

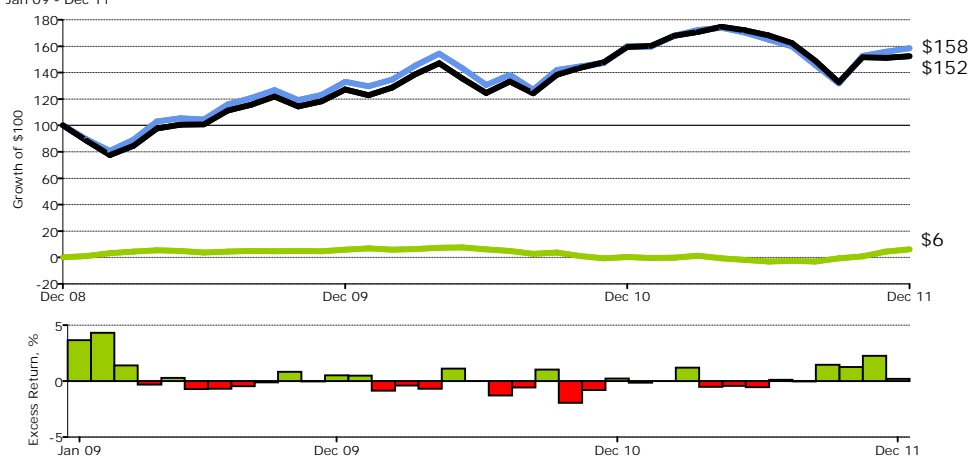
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ Russell 2000 Index    ● The Boston Company

■ Total  
■ Selection

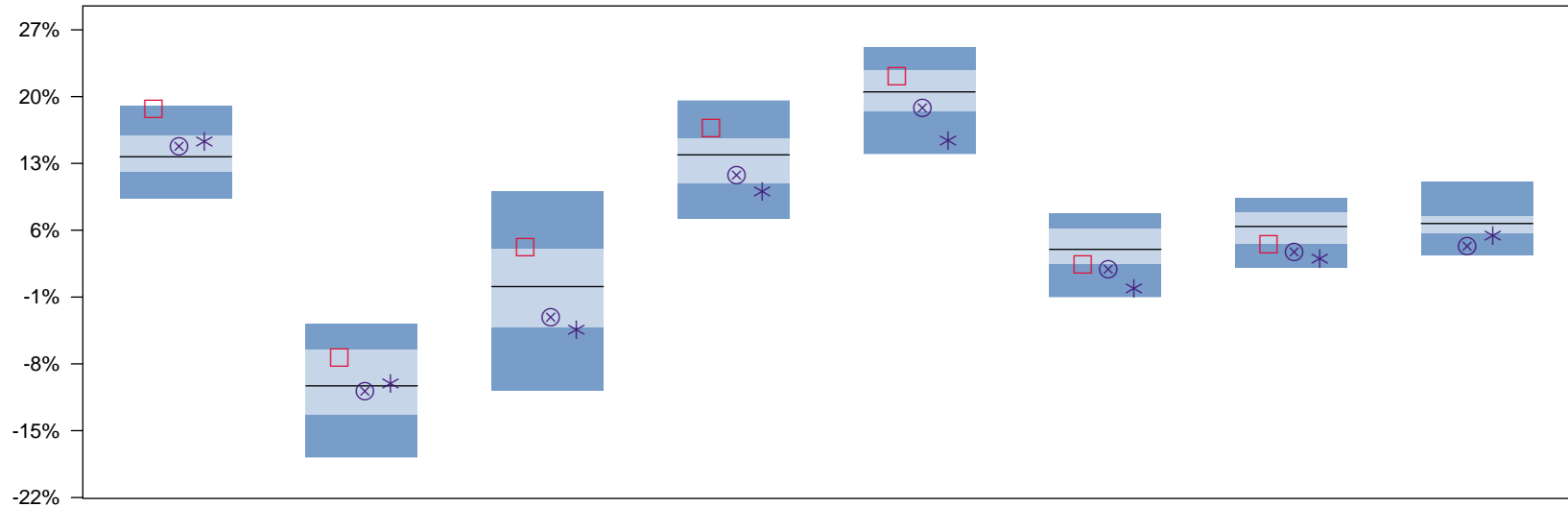
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Growth

Periods Ending December 31, 2011

## Total Returns



	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
□ Chartwell	18.9	6	-7.1	29	4.4	22	16.9	17	22.3	32	2.6	71	4.7	71		
⊗ RUSSELL 2000 GROWTH	15.0	37	-10.6	54	-2.9	64	12.0	68	19.0	69	2.1	79	3.9	90	4.5	91
* RUSSELL 2000	15.5	31	-9.8	49	-4.2	76	10.3	78	15.6	91	0.1	91	3.2	91	5.6	76
Median	13.7		-10.3		0.1		13.9		20.5		4.0		6.4		6.7	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – Chartwell

Portfolio Characteristics		
	Portfolio	Russell 2000 Growth
Total Number of Securities	85	
Average Market Cap (000's)	1,824,061	1,397,335
Median Market Cap (000's)	1,555,770	538,900
P/E Ratio	24.43	21.25
Dividend Yield	0.27	0.73
Beta	1.18	1.20
Price/Book Ratio	4.45	4.04
Return on Equity	17.36	12.70
Earnings Growth - 5 Years	8.43	15.07

Ten Largest Holdings		
Name	\$	Weight
KODIAK OIL + GAS CORP	1,951,300	3.6
CLEAN HARBORS INC	1,616,193	3.0
CHEESECAKEFACTORY INC/THE	1,566,556	2.9
HEARTLANDPAYMENT SYSTEMS IN	1,477,020	2.7
UNITED RENTALS INC	1,384,122	2.6
GNC HOLDINGS INC	1,321,278	2.4
EXPRESS INC	1,296,698	2.4
HFF INC CLASS A	1,202,856	2.2
CARDTRONICS INC	1,169,669	2.2
PARAMETRICTECHNOLOGY CORP	1,111,851	2.1

Ten Best Performers	
Name	Return
KODIAK OIL + GAS CORP	82.3
UNITED RENTALS INC	75.5
KENEXA CORP	70.7
KEY ENERGYSERVICES INC	63.0
NEWPARK RESOURCES INC	56.0
RUSH ENTERPRISES INC CL A	47.7
GROUP 1 AUTOMOTIVE INC	46.1
LENNAR CORP A	45.5
GNC HOLDINGS INC	43.9
PIER 1 IMPORTS INC	42.4

Ten Worst Performers	
Name	Return
K12 INC	-29.5
INTERACTIVE INTELLIGENCE	-15.6
NXSTAGE MEDICAL INC	-14.8
CEPHEID INC	-11.4
CATALYST HEALTH SOLUTIONS IN	-9.9
INFORMATICA CORP	-9.8
BRUKER CORP	-8.2
MDC PARTNERS INC CL A	-5.5
MWI VETERINARY SUPPLY INC	-3.4
EXPRESS INC	-1.7

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Chartwell

Benchmark: RUSSELL 2000 GROWTH

Quarter Ending December 31, 2011

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<b>Chartwell</b>									
CONSUMER DISCRETIONARY	21.6	14.2	7.4	24.1	13.6	10.5	-0.10	2.20	2.10
CONSUMER STAPLES	1.0	4.5	-3.5	20.3	6.2	14.1	0.27	0.14	0.41
ENERGY	6.0	6.3	-0.3	58.2	28.8	29.4	-0.05	1.73	1.68
FINANCIALS	14.8	9.9	5.0	22.0	13.4	8.6	-0.08	1.24	1.16
HEALTH CARE	17.9	19.2	-1.3	9.5	12.9	-3.4	0.03	-0.70	-0.67
INDUSTRIALS	14.6	17.3	-2.7	29.4	21.1	8.3	-0.15	1.17	1.02
INFORMATION TECHNOLOGY	22.8	23.0	-0.1	3.6	12.5	-8.9	0.00	-2.09	-2.08
MATERIALS	0.2	4.4	-4.2	12.6	13.5	-0.9	0.06	-0.11	-0.05
TELECOMMUNICATION SERVICES	1.1	1.1	-0.0	21.3	9.5	11.8	0.00	0.13	0.13
UTILITIES	0.0	0.2	-0.2	-	25.3	-	-0.02	-0.11	-0.13
TOTAL	100.0	100.0	0.0	19.2	15.1	4.1	-0.04	3.59	3.54

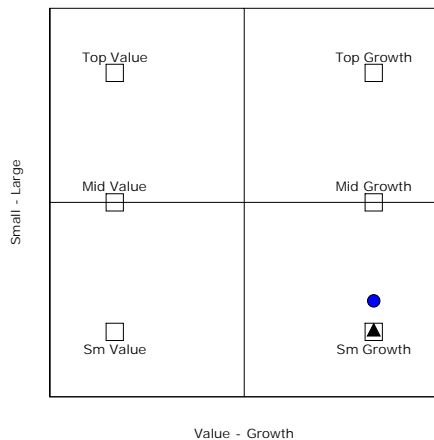
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending December 31, 2011

## Returns Based Style Analysis - Chartwell

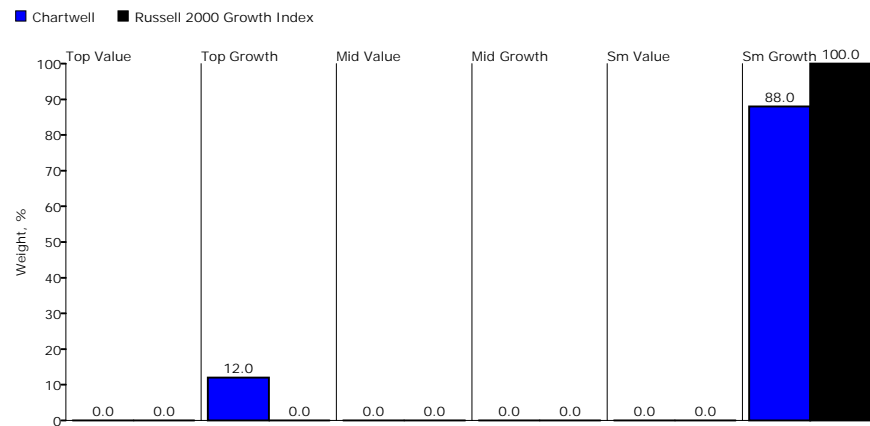
### US Equity Style Map

Jan 09 - Dec 11



### US Equity Style Exposures

Jan 09 - Dec 11

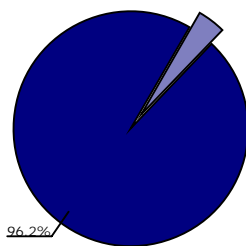
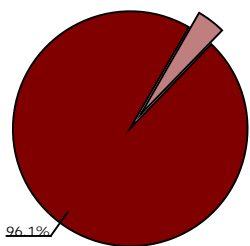


### R-Squared (Style Analysis)

Jan 09 - Dec 11

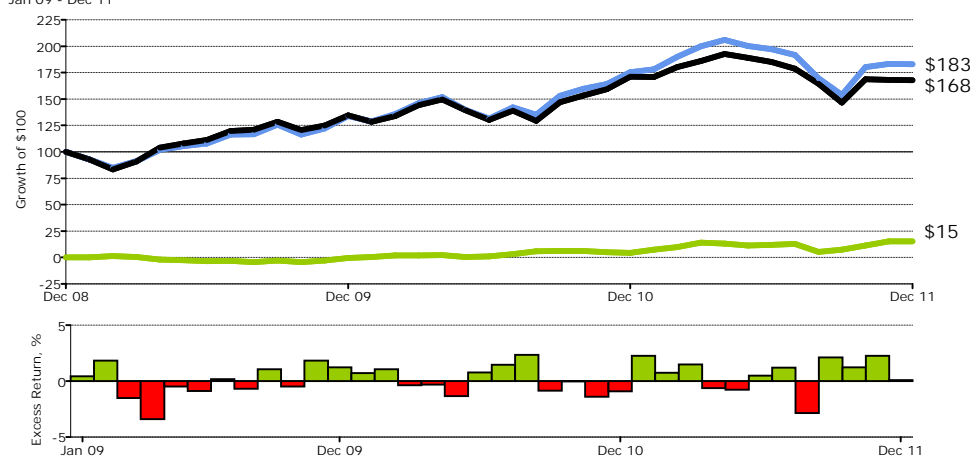
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Jan 09 - Dec 11



### Legend

▲ Russell 2000 Growth Index ● Chartwell

■ Total ■ Selection

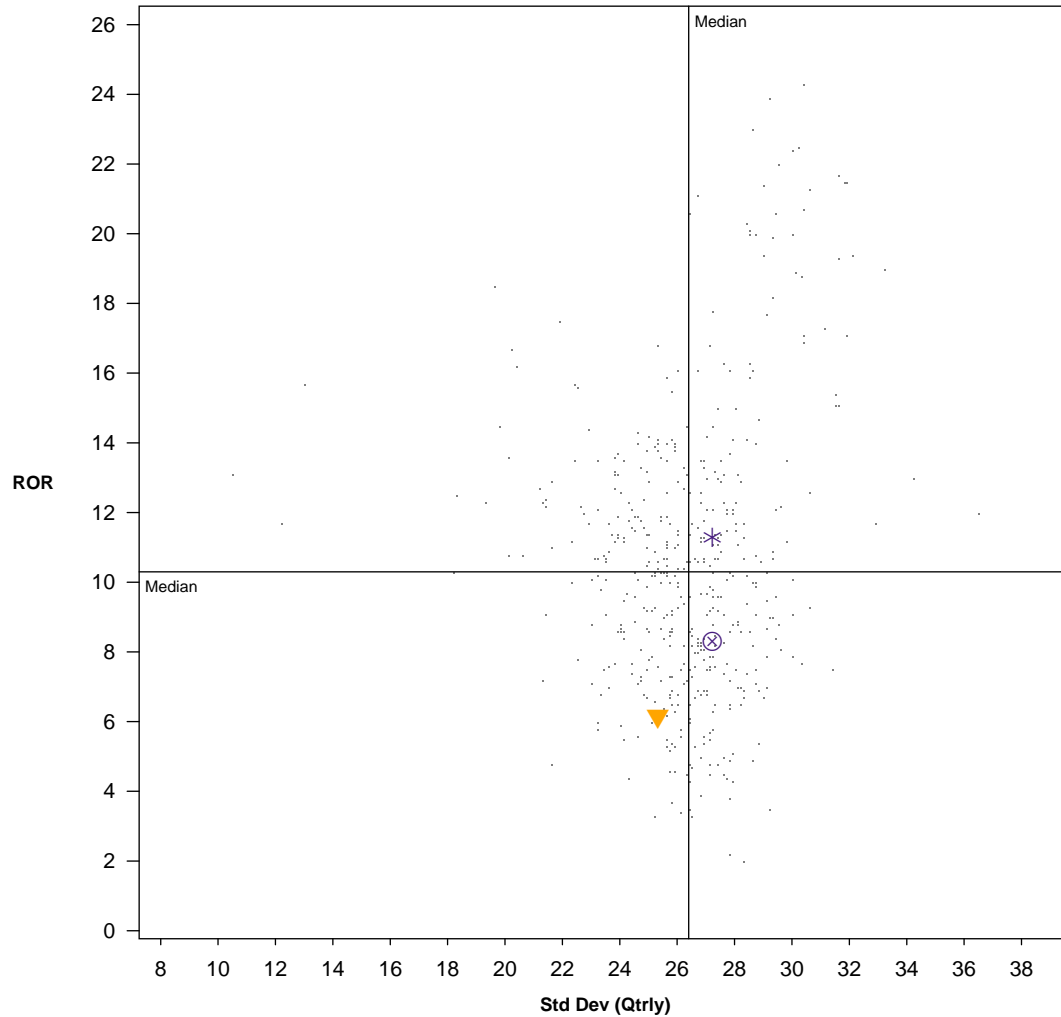
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

3 Years Ending December 31, 2011

## 3 Year Risk vs. Return - Total Returns



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	6.0 91	25.4 31	0.2 90
* Intl Equity Index	11.2 39	27.3 68	0.4 41
⊗ MSCI EAFE (GROSS)	8.2 73	27.3 67	0.3 74
Median	10.3	26.4	0.4

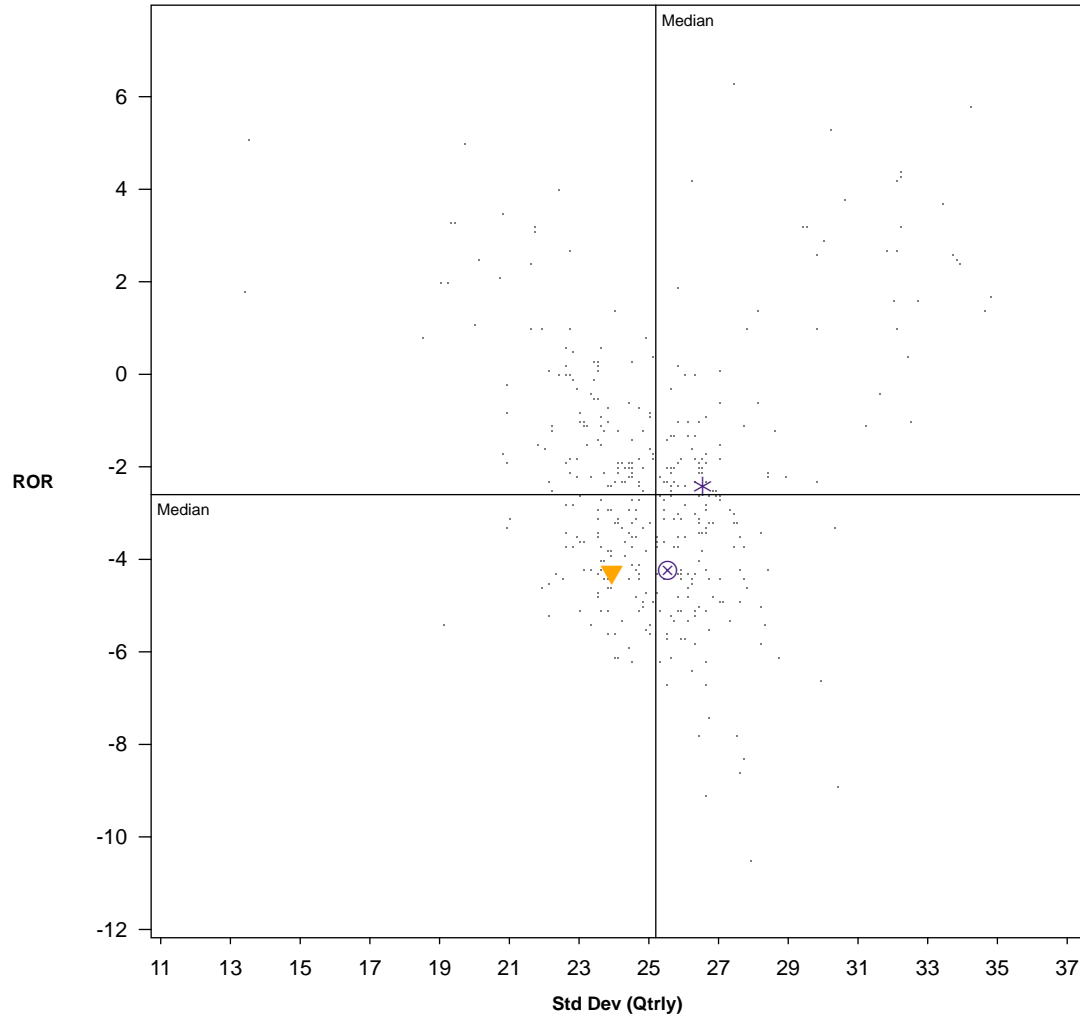
Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

5 Years Ending December 31, 2011

## 5 Year Risk vs. Return - Total Returns



NAME	Return	Standard Deviation	Sharpe Ratio
▼ Intl Equity	-4.4 80	24.0 30	-0.2 83
* Intl Equity Index	-2.5 48	26.6 77	-0.1 42
⊗ MSCI EAFE (GROSS)	-4.3 77	25.6 56	-0.2 75
Median	-2.6	25.2	-0.2

Standard deviation is based on quarterly returns

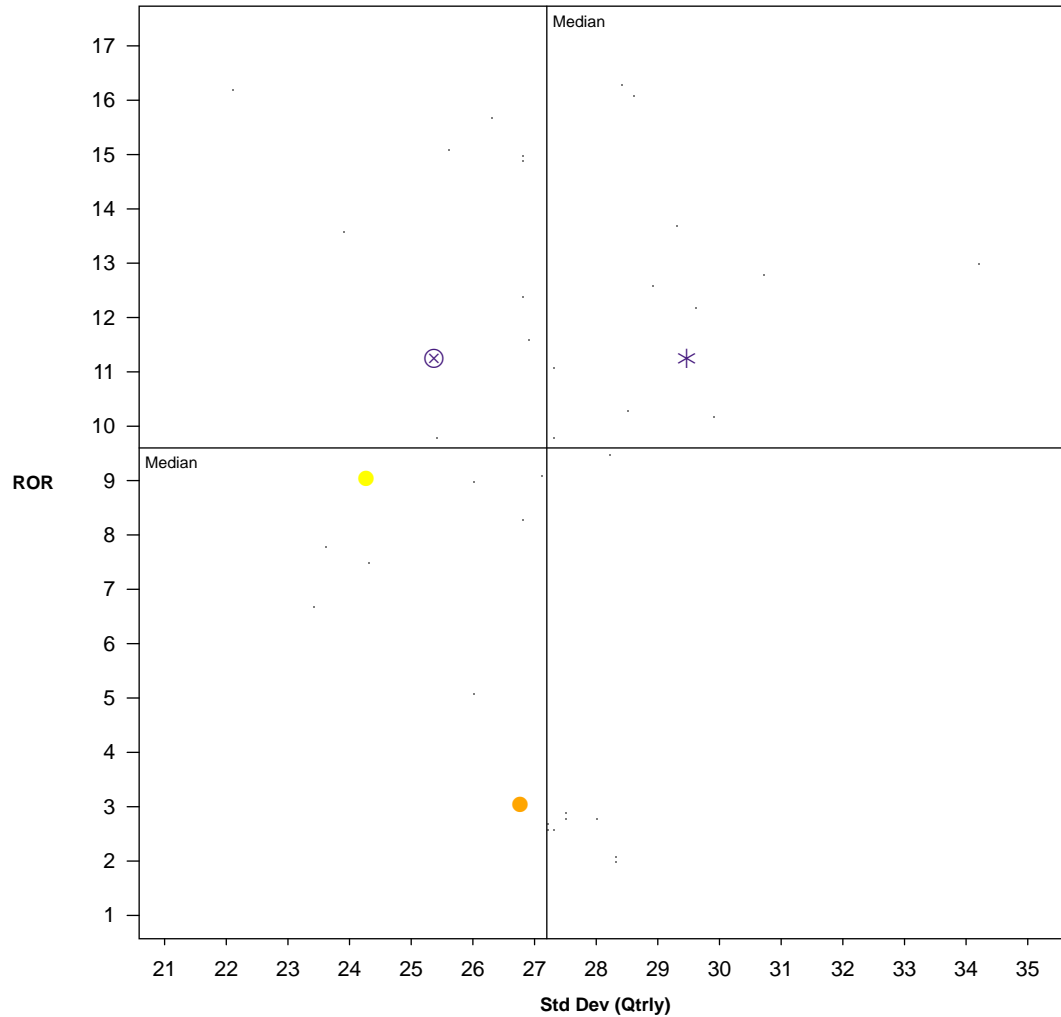


# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US

3 Years Ending December 31, 2011

## 3 Year Risk vs. Return - Total Returns



NAME	Return	Standard Deviation	Sharpe Ratio
● Artio	3.0 77	26.8 34	0.1 74
⊗ MSCI ACWI XUS GROWTH	11.2 38	25.4 15	0.4 23
● Mondrian	9.0 59	24.3 13	0.4 39
* MSCI ACWI EX US VALUE (GROSS)	11.2 38	29.5 89	0.4 38
Median	9.6	27.2	0.3

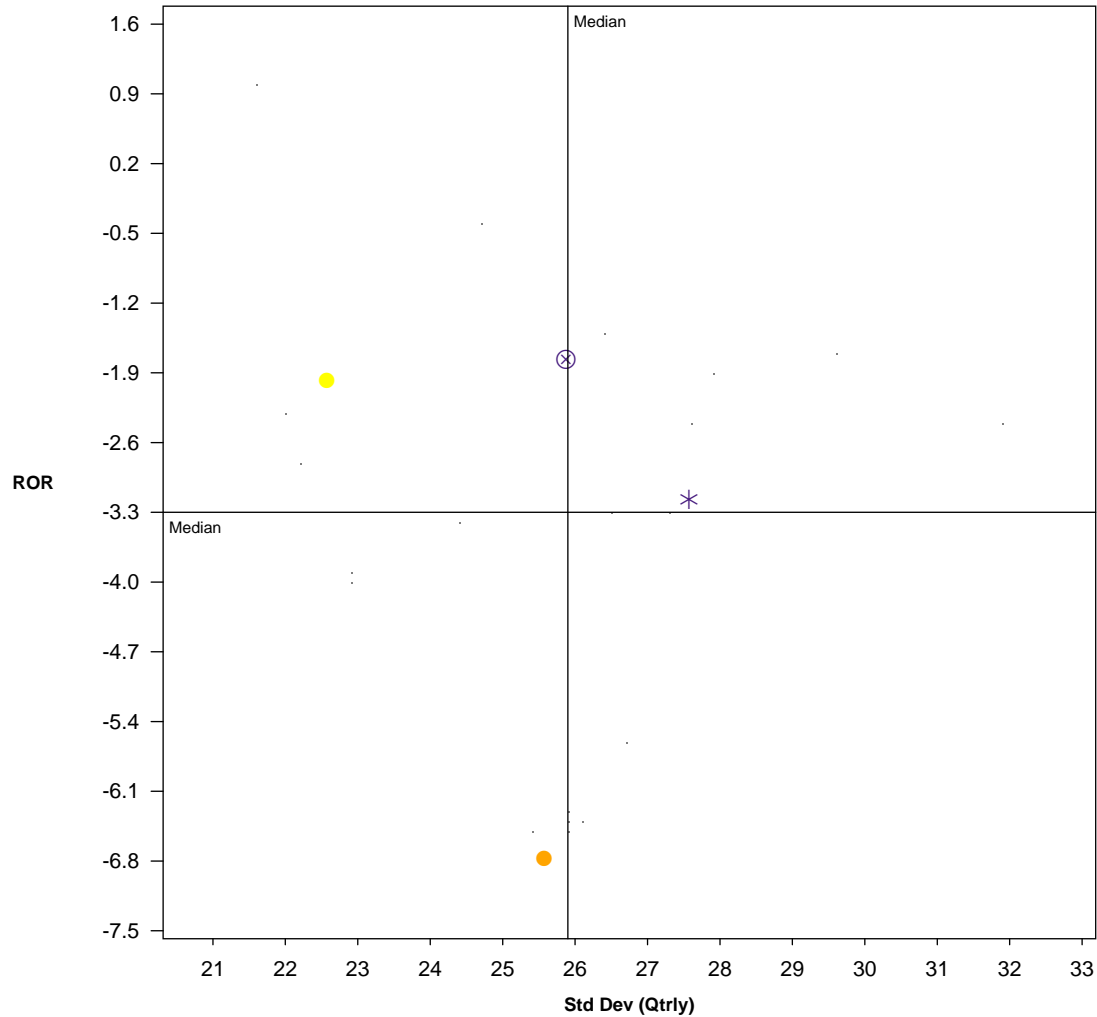
Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US

5 Years Ending December 31, 2011

## 5 Year Risk vs. Return - Total Returns



NAME	Return	Standard Deviation	Sharpe Ratio
● Artio	-6.8 100	25.6 38	-0.3 100
⊗ MSCI ACWI XUS GROWTH	-1.8 22	25.9 51	-0.1 30
● Mondrian	-2.0 25	22.6 17	-0.2 35
* MSCI ACWI EX US VALUE (GROSS)	-3.2 46	27.6 82	-0.2 37
Median	-3.3	25.9	-0.2

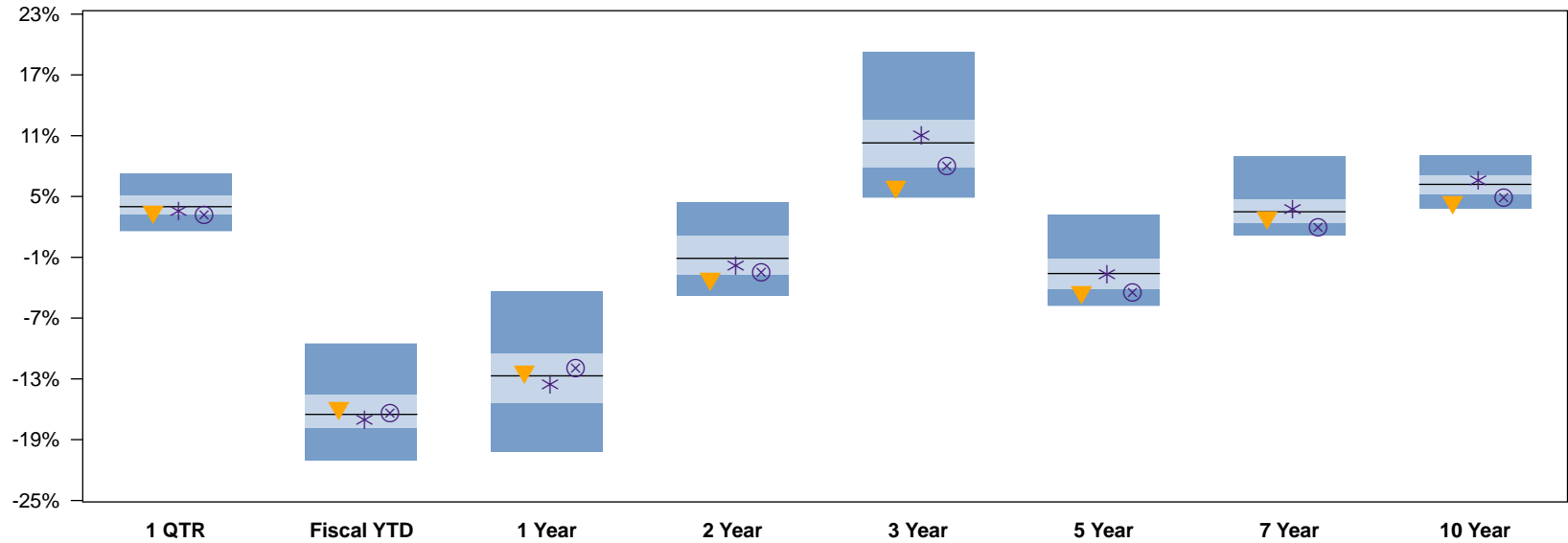
Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Periods Ending December 31, 2011

## Total Returns



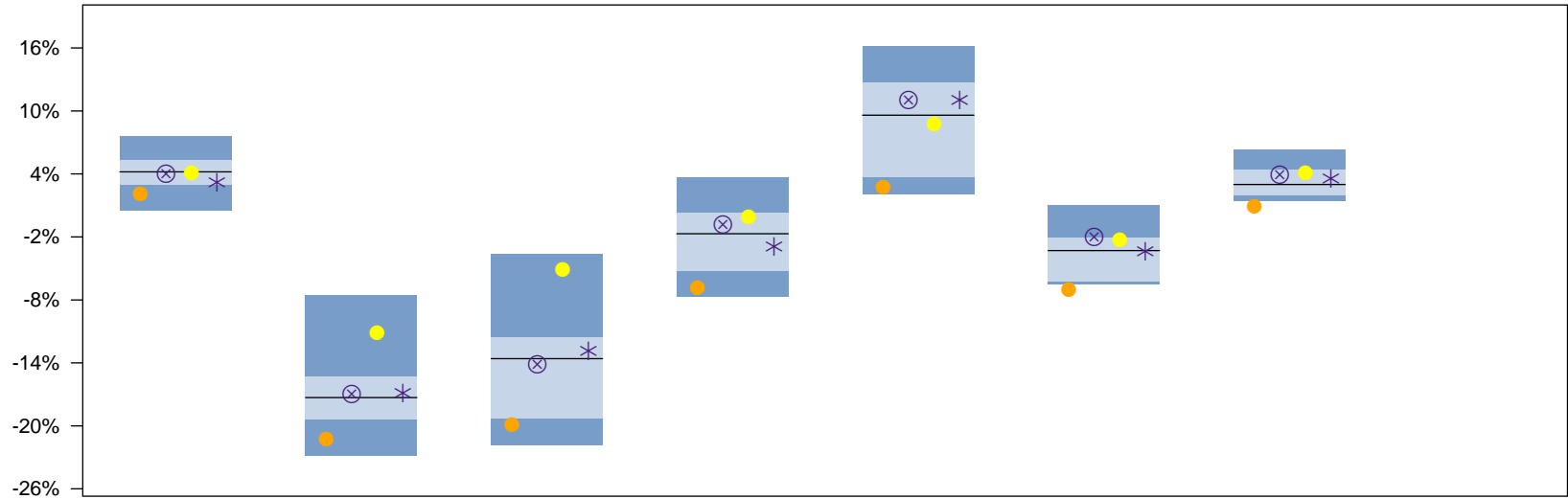
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
▼ Intl Equity	3.5	68	-15.9	40	-12.3	44	-3.1	80	6.0	91	-4.4	80	2.9	64	4.4	87
* Intl Equity Index	3.8	58	-16.8	56	-13.3	58	-1.6	58	11.2	39	-2.5	48	4.0	43	6.8	30
⊗ MSCI EAFE (GROSS)	3.4	69	-16.2	45	-11.7	37	-2.3	66	8.2	73	-4.3	77	2.2	79	5.1	77
Median	4.0		-16.5		-12.7		-1.1		10.3		-2.6		3.5		6.2	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US

Periods Ending December 31, 2011

## Total Returns



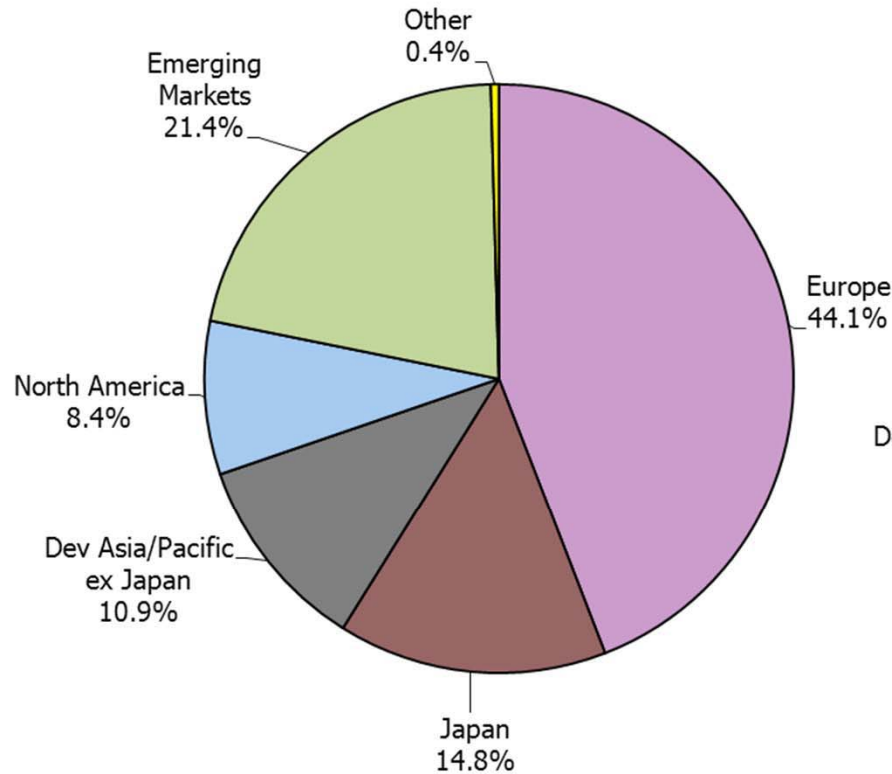
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● Artio	2.4	81	-21.0	87	-19.6	81	-6.6	82	3.0	77	-6.8	100	1.2	100		
⊗ MSCI ACWI XUS GROWTH	4.2	51	-16.8	36	-13.9	53	-0.6	45	11.2	38	-1.8	22	4.1	31		
● Mondrian	4.4	44	-10.9	10	-4.8	9	0.2	35	9.0	59	-2.0	25	4.4	26		
* MSCI ACWI EX US VALUE (	3.4	73	-16.7	34	-12.7	43	-2.7	62	11.2	38	-3.2	46	3.8	35		
Median	4.2		-17.3		-13.6		-1.7		9.6		-3.3		3.0			

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

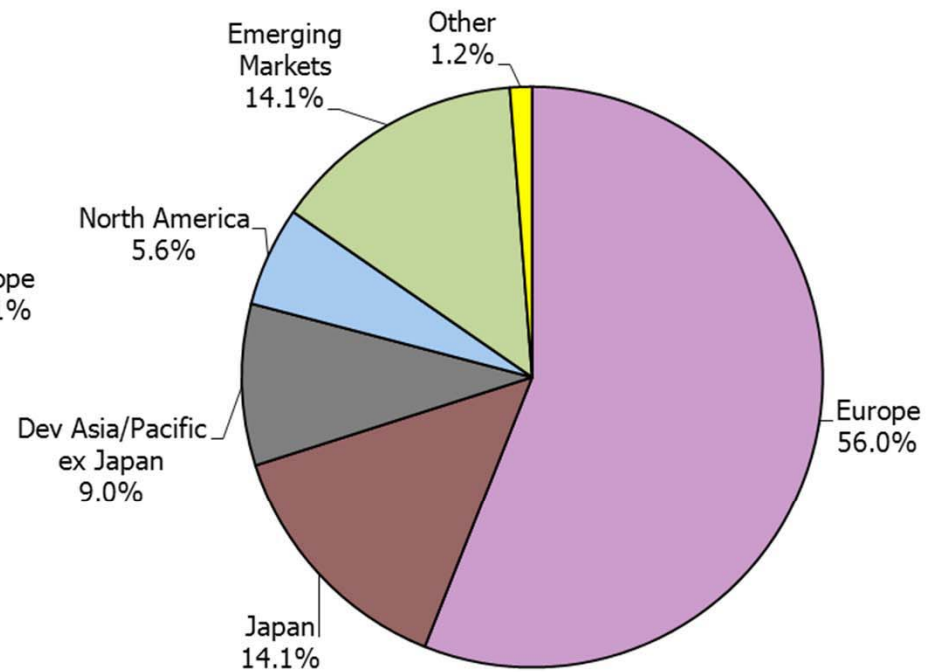
As of December 31, 2011

## International Equity Portfolio Regional Weights

MSCI ACWI ex USA INDEX



INTERNATIONAL EQUITY COMPOSITE



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – Artio Global Investors

### Portfolio Characteristics

	Portfolio	MSCI ACWI ex-US
No. of Securities	167	1,846
Wgt. Avg. Market Cap (billion)	55	46
Price to Book Ratio	1.8	1.4
Return on Equity	20.2%	18.8%

### Ten Largest Holdings\*

Name	Weight
Royal Dutch Shell PLC (CL A)	2.7
Vodafone Group PLC	2.3
BG Group PLC	1.9
Nestle S.A.	1.8
Novo Nordisk A/S	1.7
BHP Billiton PLC	1.7
Suncor Energy Inc.	1.6
Novartis AG	1.5
Fraport AG	1.5
HSBC Holdings PLC	1.5

### Ten Best Performers

Name	Return
Royal Dutch Shell PLC (CL A)	0.4
BHP Billiton PLC	0.2
Vodafone Group PLC	0.2
BG Group PLC	0.2
Novo Nordisk A/S	0.2
Ivanhoe Mines Ltd.	0.2
Baidu Inc. ADS	0.2
Suncor Energy Inc.	0.2
Rolls-Royce Holdings PLC	0.2
Saipem S.p.A.	0.1

### Ten Worst Performers

Name	Return
Larsen And Toubro Ltd Gdr Reg S	-0.3
MAP GROUP	-0.3
Fraport AG	-0.3
Ctrip.com International Ltd. (ADS)	-0.3
Axis Bk Ltd Spon Gdr Reg S	-0.2
Celltrion Inc.	-0.1
HDFC Bank Ltd. ADS	-0.1
Newcrest Mining Ltd.	-0.1
Barrick Gold Corp.	-0.1
Potash Corp. of Saskatchewan Inc.	-0.1

\* Excludes the following ETF and futures positions (if applicable) within top ten holdings.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Artio

Index: MSCI ACWI EX US SECURITY

December 31, 2011

## GLOBAL EQUITY SECTOR ALLOCATION

	BEGINNING WTS			ENDING WTS		
	Fund	Index	Difference	Fund	Index	Difference
Artio						
CONSUMER DISCRETIONARY	23.8	9.6	14.2	17.8	9.5	8.4
CONSUMER STAPLES	6.5	9.5	-3.0	9.9	9.7	0.3
ENERGY	11.5	10.6	0.9	14.5	11.6	2.9
FINANCIALS	11.5	23.3	-11.8	8.3	22.9	-14.6
HEALTH CARE	9.9	7.0	2.9	12.5	7.1	5.4
INDUSTRIALS	14.1	10.8	3.3	12.1	10.9	1.3
INFORMATION TECHNOLOGY	3.1	6.5	-3.3	5.1	6.3	-1.2
MATERIALS	14.4	12.1	2.2	11.8	11.9	-0.1
TELECOMMUNICATION SERVICES	3.4	6.4	-3.0	5.5	6.2	-0.7
UTILITIES	1.7	4.2	-2.5	2.3	4.0	-1.7
TOTAL	100.0	100.0	0.0	100.0	100.0	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Artio

Index: MSCI AC WORLD ex US (GROSS)

Quarter Ending December 31, 2011

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
<b>Artio</b>									
EUROPE	49.4	43.5	5.9	8.8	5.5	3.2	0.10	1.66	1.75
AUSTRIA	0.4	0.2	0.2	-29.8	-5.1	-26.0	-0.02	-0.10	-0.12
BELGIUM	0.0	0.7	-0.7		2.2		0.01	0.00	0.01
DENMARK	1.8	0.7	1.2	19.2	8.3	10.0	0.05	0.23	0.28
EURO	-0.0	0.0	-0.0				0.00	0.00	0.00
FINLAND	0.2	0.6	-0.4	-6.8	-1.9	-5.0	0.02	-0.01	0.01
FRANCE	9.0	6.2	2.8	6.9	2.8	4.0	-0.03	0.40	0.38
GERMANY	8.4	5.3	3.1	3.6	3.9	-0.4	0.01	-0.03	-0.03
GREECE	0.0	0.1	-0.1		-27.5		0.03	0.03	0.06
IRELAND	1.4	0.2	1.2	0.6	22.4	-17.8	0.22	-0.30	-0.08
ITALY	1.9	1.6	0.3	20.7	0.9	19.6	-0.01	0.42	0.41
LUXEMBOURG	0.5	0.0	0.5	-13.1			-0.02	-0.06	-0.08
NETHERLANDS	1.4	1.7	-0.2	6.9	6.6	0.3	-0.01	0.04	0.03
NORWAY	0.2	0.6	-0.4	0.8	9.6	-8.0	-0.02	-0.02	-0.04
PORTUGAL	0.0	0.2	-0.2	5.4	-9.3	16.2	0.02	0.03	0.05
SPAIN	0.0	2.4	-2.4	-1.8	-1.9	0.1	0.13	0.03	0.16
SWEDEN	1.1	2.0	-0.8	16.8	8.8	7.3	-0.04	0.12	0.08
SWITZERLAND	4.0	5.9	-1.9	11.0	4.1	6.6	-0.01	0.31	0.30
UNITED KINGDOM	19.0	15.2	3.7	11.3	9.1	2.0	0.19	0.44	0.63
PACIFIC	21.8	24.8	-3.1	0.0	-0.3	0.3	0.12	0.10	0.22
AUSTRALIA	2.3	5.8	-3.5	-10.4	7.5	-16.6	-0.13	-0.41	-0.54
HONG KONG	9.0	1.9	7.1	1.1	6.3	-4.9	0.17	-0.46	-0.29
JAPAN	10.5	15.9	-5.4	0.5	-3.8	4.6	0.40	0.49	0.90
NEW ZEALAND	0.0	0.1	-0.1		-2.2		0.01	0.03	0.04
SINGAPORE	0.0	1.2	-1.2		-1.0		0.05	0.03	0.09



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Artio

Index: MSCI AC WORLD ex US (GROSS)

Quarter Ending December 31, 2011

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
NORTH AMERICA	9.1	8.2	0.8	1.0	5.2	-4.0	0.01	-0.38	-0.36
CANADA	7.0	8.2	-1.2	1.0	5.2	-4.0	-0.02	-0.29	-0.31
UNITED STATES	2.0	0.0	2.0				-0.07	0.00	-0.07
EMERGING MARKETS	19.4	23.0	-3.6	-7.5	4.4	-11.4	-0.02	-2.30	-2.32
BRAZIL	0.2	3.3	-3.2	0.8	8.9	-7.5	-0.16	-0.01	-0.17
BULGARIA	0.3	0.0	0.3	-24.1			-0.01	-0.08	-0.10
CHILE	0.0	0.4	-0.4		8.1		-0.02	0.00	-0.02
CHINA	5.9	3.9	2.0	2.9	8.1	-4.8	0.08	-0.30	-0.22
COLOMBIA	0.0	0.2	-0.2		2.2		0.00	0.00	0.00
CZECH REPUBLIC	0.7	0.1	0.6	-3.1	-1.9	-1.2	-0.03	-0.01	-0.04
EGYPT	0.0	0.1	-0.1		-11.7		0.01	0.03	0.04
HUNGARY	0.0	0.1	-0.1		-2.4		0.00	0.03	0.04
INDIA	5.9	1.7	4.2	-21.3	-14.2	-8.2	-0.73	-0.42	-1.14
INDONESIA	0.0	0.7	-0.7	17.0	5.8	10.5	-0.01	0.03	0.02
KOREA, REPUBLIC OF	2.2	3.4	-1.2	-10.7	5.9	-15.7	-0.02	-0.37	-0.39
MALAYSIA	0.0	0.8	-0.8		11.7		-0.06	0.00	-0.06
MEXICO	0.2	1.1	-0.9	3.2	9.4	-5.7	-0.05	-0.01	-0.06
MOROCCO	0.0	0.0	-0.0		-10.0		0.01	0.03	0.04
PERU	0.0	0.1	-0.1		12.5		-0.01	0.00	-0.01
PHILIPPINES	0.0	0.2	-0.1		7.0		-0.00	-0.00	-0.01
POLAND	0.0	0.3	-0.3	1.6	-6.1	8.1	0.03	0.03	0.06
ROMANIA	0.0	0.0	0.0				-0.00	0.00	-0.00
RUSSIA	2.4	1.5	1.0	-4.6	6.2	-10.2	0.02	-0.26	-0.24
SOUTH AFRICA	0.3	1.8	-1.5	20.0	7.0	12.2	-0.05	0.07	0.02
TAIWAN	1.3	2.6	-1.3		-0.4		0.05	0.04	0.09

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Artio

Index: MSCI AC WORLD ex US (GROSS)

Quarter Ending December 31, 2011

### GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
THAILAND	0.0	0.4	-0.4		11.5		-0.03	0.00	-0.03
TURKEY	0.0	0.3	-0.3		-15.7		0.07	0.03	0.10
OTHER	0.3	0.4	-0.1	9.0	4.8	4.0	-0.00	0.05	0.04
ISRAEL	0.3	0.4	-0.1	9.0	4.8	4.0	-0.00	0.05	0.04
TOTAL	100.0	100.0	0.0	3.3	3.8	-0.4	0.20	-0.91	-0.71

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending December 31, 2011

## Equity Only Summary Statistics – Mondrian

### Portfolio Characteristics

	Portfolio	MSCI ACWI ex-US
No. of Securities	124 +	1,846
Wgt'd. Avg. Market Cap (billion)	31 ++	46
Price to Book Ratio	1.5	1.4
Return on Equity	12.6%	18.8%

+ Includes 75 stocks held in the DPT Emerging Markets Fund.

++ Including holdings within the DPT Emerging Markets Fund, the average for the developed market stocks only is 44.845 billion.

### Ten Largest Holdings

Name	Weight
Unilever	2.8
Tesco	2.6
Royal Dutch Shell A	2.6
Sanofi	2.5
Novartis	2.5
Canon	2.4
Seven & I	2.4
Total	2.4
Astellas Pharmaceutical	2.2
BP	2.2

### Ten Best Performers

Name	Return
Experian	21.4
BP	19.4
Royal Dutch Shell	18.8
ENI	17.2
Compass	17.0
Total	16.7
Ahold	14.2
DIA	13.8
Telstra	13.3
Vodafone	11.6

### Ten Worst Performers

Name	Return
Societe Generale	-16.8
Tokio Marine	-13.9
United Overseas Bank	-9.7
Takeda Pharmaceutical	-8.0
Hoya	-7.9
Iberdrola	-7.7
Nintendo	-6.5
Telefonica	-6.0
Banco Santander	-5.3
RWE	-4.9

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE SECURITY LEVEL

December 31, 2011

### GLOBAL EQUITY SECTOR ALLOCATION

	BEGINNING WTS			ENDING WTS		
	Fund	Index	Difference	Fund	Index	Difference
Mondrian						
COMMINGLED FUND	0.0	0.0	0.0	0.0	0.0	0.0
CONSUMER DISCRETIONARY	5.9	6.9	-1.0	6.3	6.2	0.1
CONSUMER STAPLES	17.1	3.1	14.0	16.3	2.7	13.6
ENERGY	12.6	13.2	-0.7	13.9	15.6	-1.7
FINANCIALS	14.3	33.3	-19.1	13.7	33.7	-20.0
HEALTH CARE	14.3	7.8	6.5	13.7	7.2	6.5
INDUSTRIALS	6.7	6.7	0.0	7.3	7.7	-0.4
INFORMATION TECHNOLOGY	6.3	4.4	1.9	6.4	3.6	2.8
MATERIALS	2.0	7.4	-5.4	2.1	8.5	-6.5
TELECOMMUNICATION SERVICES	14.5	10.4	4.1	13.9	9.0	4.8
UTILITIES	6.3	6.7	-0.4	6.3	5.7	0.6
TOTAL	100.0	100.0	-0.0	100.0	100.0	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE (GROSS)

Quarter Ending December 31, 2011

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
<b>Mondrian</b>									
EUROPE	50.7	42.7	8.1	9.1	4.5	4.4	0.09	2.30	2.39
AUSTRIA	0.0	0.2	-0.2		3.6		-0.00	-0.05	-0.05
BELGIUM	0.0	0.5	-0.5	0.0	-12.6	14.4	0.08	0.00	0.08
DENMARK	0.0	0.2	-0.2		11.3		-0.01	-0.05	-0.06
EURO	0.0	0.0	0.0				-0.00	0.00	-0.00
FINLAND	0.0	0.9	-0.9		-6.3		0.08	0.00	0.08
FRANCE	11.2	7.2	4.0	6.9	2.9	3.9	-0.02	0.46	0.44
GERMANY	3.8	5.6	-1.8	-0.8	3.1	-3.7	0.01	-0.19	-0.19
GREECE	0.0	0.1	-0.1		-33.9		0.05	0.00	0.05
IRELAND	0.0	0.2	-0.2		27.6		-0.04	-0.05	-0.08
ITALY	2.8	2.5	0.3	16.5	0.0	16.5	-0.01	0.47	0.46
NETHERLANDS	4.1	1.2	2.9	12.0	3.6	8.2	0.01	0.36	0.36
NORWAY	0.0	0.8	-0.8		13.4		-0.08	-0.05	-0.13
PORTUGAL	0.0	0.2	-0.2		-12.9		0.03	-0.00	0.03
SPAIN	5.4	3.9	1.4	-2.5	-2.4	-0.1	-0.08	-0.06	-0.14
SWEDEN	0.0	1.5	-1.5		5.5		-0.03	-0.05	-0.08
SWITZERLAND	4.7	4.4	0.2	8.3	1.2	7.1	-0.01	0.34	0.34
UNITED KINGDOM	18.8	13.3	5.5	14.2	11.0	2.9	0.40	0.60	1.00
PACIFIC	28.4	25.4	3.1	-1.0	-0.1	-0.8	-0.11	-0.29	-0.40
AUSTRALIA	5.0	5.9	-0.9	4.2	10.5	-5.6	-0.06	-0.36	-0.42
HONG KONG	2.5	1.9	0.6	10.0	5.0	4.8	0.01	0.13	0.14
JAPAN	17.6	16.2	1.3	-3.5	-4.3	0.8	-0.10	0.14	0.04
NEW ZEALAND	0.0	0.1	-0.1		5.6		-0.00	-0.05	-0.05
SINGAPORE	3.4	1.3	2.1	-3.4	-4.5	1.2	-0.16	0.05	-0.12

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE (GROSS)

Quarter Ending December 31, 2011

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
NORTH AMERICA	2.7	8.5	-5.8	9.5	5.7	3.6	-0.13	0.10	-0.03
CANADA	1.3	8.5	-7.2	9.5	5.7	3.6	-0.16	0.05	-0.11
UNITED STATES	1.5	0.0	1.5				-0.05	0.00	-0.05
EMERGING MARKETS	16.5	23.0	-6.5	6.8	4.3	2.4	-0.06	0.41	0.35
BRAZIL	3.3	3.2	0.1	11.8	9.5	2.1	0.01	0.09	0.09
CHILE	0.4	0.4	0.0	4.3	7.4	-3.0	0.00	-0.07	-0.07
CHINA	2.1	4.0	-1.8	10.6	9.0	1.5	-0.10	0.03	-0.07
COLOMBIA	0.1	0.2	-0.1	7.6	2.6	4.8	0.00	0.00	0.01
CZECH REPUBLIC	0.0	0.1	-0.1		-1.5		0.00	0.00	0.00
EGYPT	0.0	0.1	-0.1		-17.2		0.02	0.00	0.02
HUNGARY	0.0	0.1	-0.1		-9.2		0.01	0.00	0.01
INDIA	1.7	1.7	0.0	-9.1	-18.5	11.6	-0.00	0.17	0.17
INDONESIA	0.8	0.7	0.1	18.2	4.0	13.6	0.00	0.12	0.12
KAZAKHSTAN	0.2	0.0	0.2				-0.01	0.00	-0.01
KOREA, REPUBLIC OF	1.2	3.5	-2.3	9.4	5.6	3.6	-0.05	0.05	-0.00
MALAYSIA	0.2	0.8	-0.6	4.5	9.1	-4.2	-0.03	-0.06	-0.09
MEXICO	0.9	1.0	-0.1	4.4	8.7	-4.0	-0.00	-0.08	-0.09
MOROCCO	0.0	0.0	-0.0		-7.7		0.01	-0.00	0.01
PERU	0.4	0.1	0.3	18.7	11.5	6.4	0.02	0.04	0.06
PHILIPPINES	0.3	0.2	0.2	16.3	7.3	8.4	0.01	0.04	0.05
POLAND	0.1	0.4	-0.2	5.9	-6.5	13.2	0.02	0.02	0.04
RUSSIA	0.6	1.5	-0.9	8.0	7.3	0.7	-0.03	0.00	-0.03
SOUTH AFRICA	1.1	1.8	-0.7	16.3	5.6	10.1	-0.01	0.12	0.10
TAIWAN	1.6	2.7	-1.1	-1.0	1.7	-2.7	0.02	-0.09	-0.07
THAILAND	0.7	0.4	0.3	4.3	13.3	-7.9	0.03	-0.12	-0.09
TURKEY	0.7	0.3	0.4	-8.3	-15.4	8.4	-0.07	0.06	-0.01

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE (GROSS)

Quarter Ending December 31, 2011

### GLOBAL ATTRIBUTION - BASE RETURNS

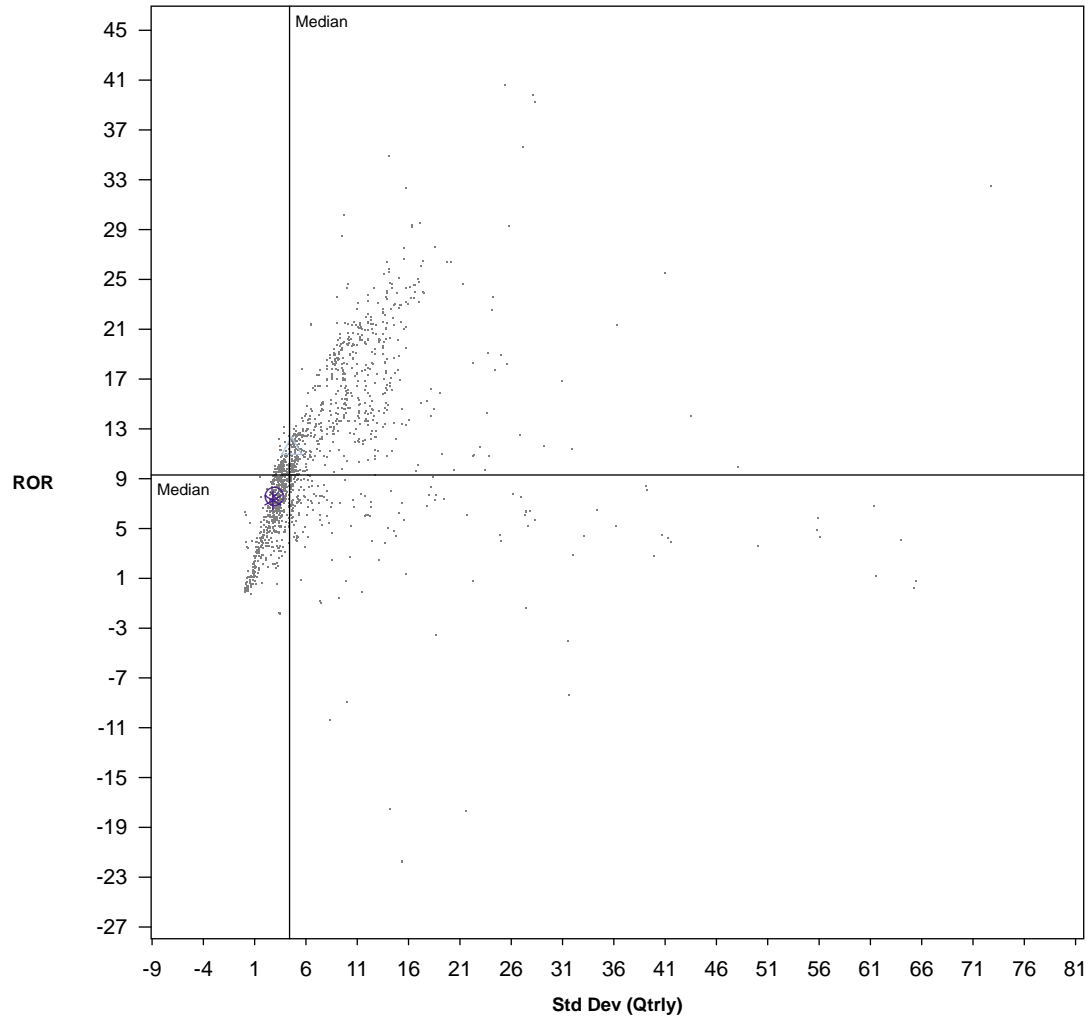
	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
OTHER	1.6	0.4	1.2	9.0	2.0	6.9	-0.02	0.12	0.11
ISRAEL	1.6	0.4	1.2	9.0	2.0	6.9	-0.02	0.12	0.11
TOTAL	100.0	100.0	-0.0	5.8	3.4	2.4	-0.22	2.65	2.42

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending December 31, 2011

## Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	11.5 32	4.8 56	2.4 23
* Total Fixed Index	7.0 71	3.0 20	2.3 26
⊗ US Fixed Index	7.3 68	3.1 22	2.3 26
Median	9.3	4.4	2.0

\* Standard deviation is based on quarterly returns

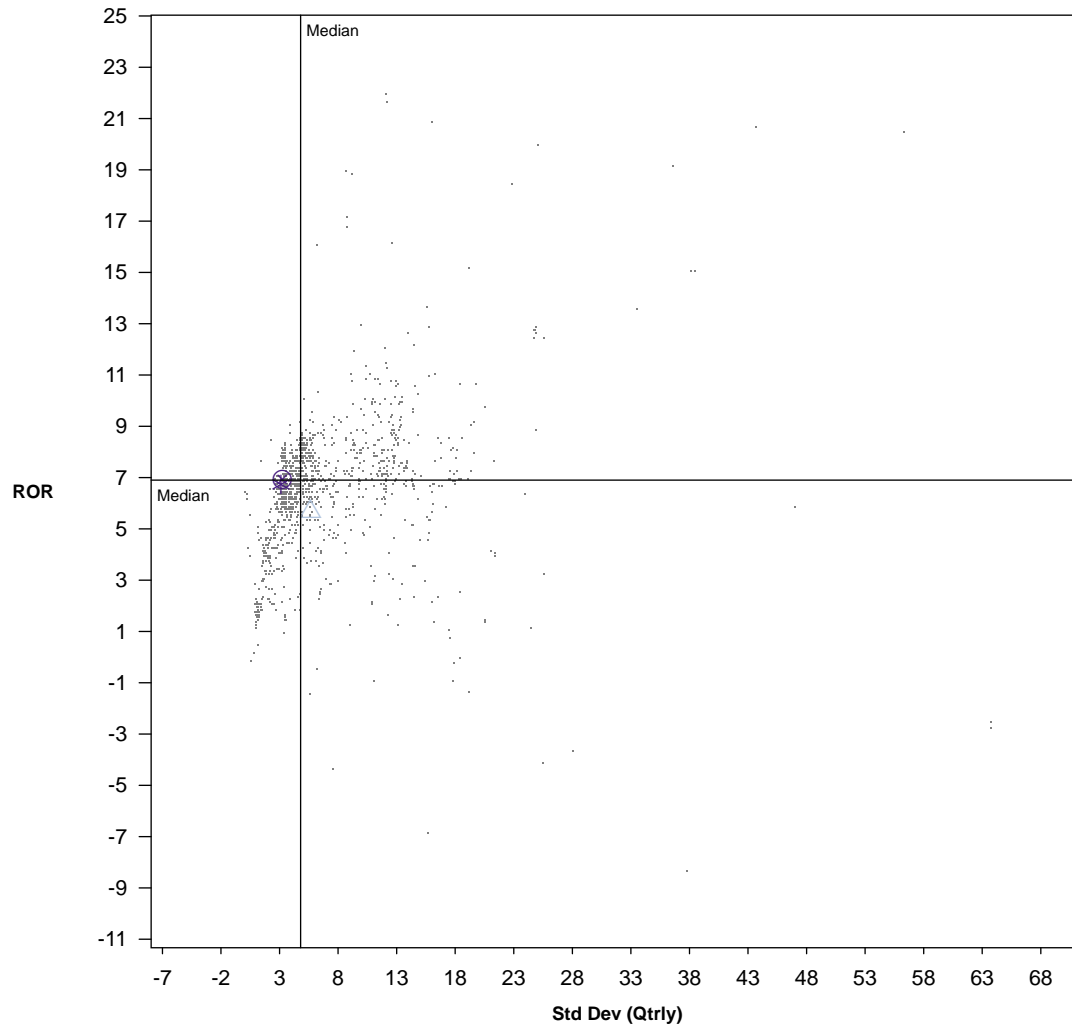


# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Period Ending December 31, 2011

## Risk vs. Return - 5 Year



NAME	Return	Standard Deviation	Sharpe Ratio
△ Total Fixed Inc	5.7 77	5.8 64	0.7 71
* Total Fixed Index	6.6 57	3.3 20	1.5 14
⊗ US Fixed Index	6.8 53	3.4 22	1.6 13
Median	6.9	4.8	1.2

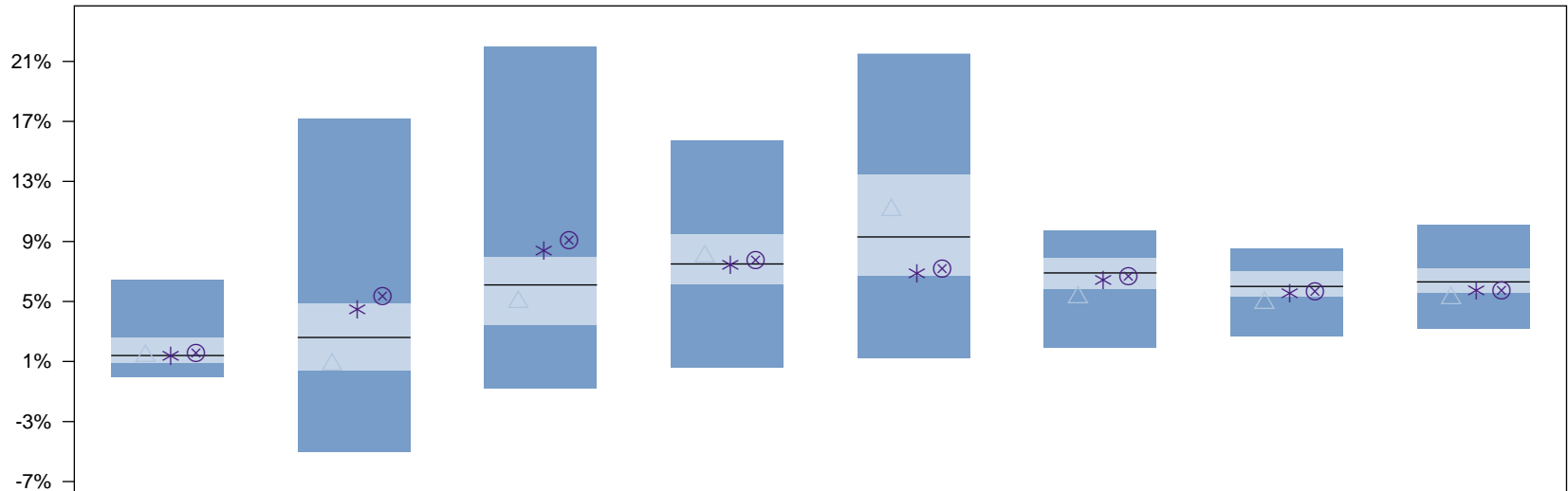
\* Standard deviation is based on quarterly returns

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Periods Ending December 31, 2011

## Total Returns



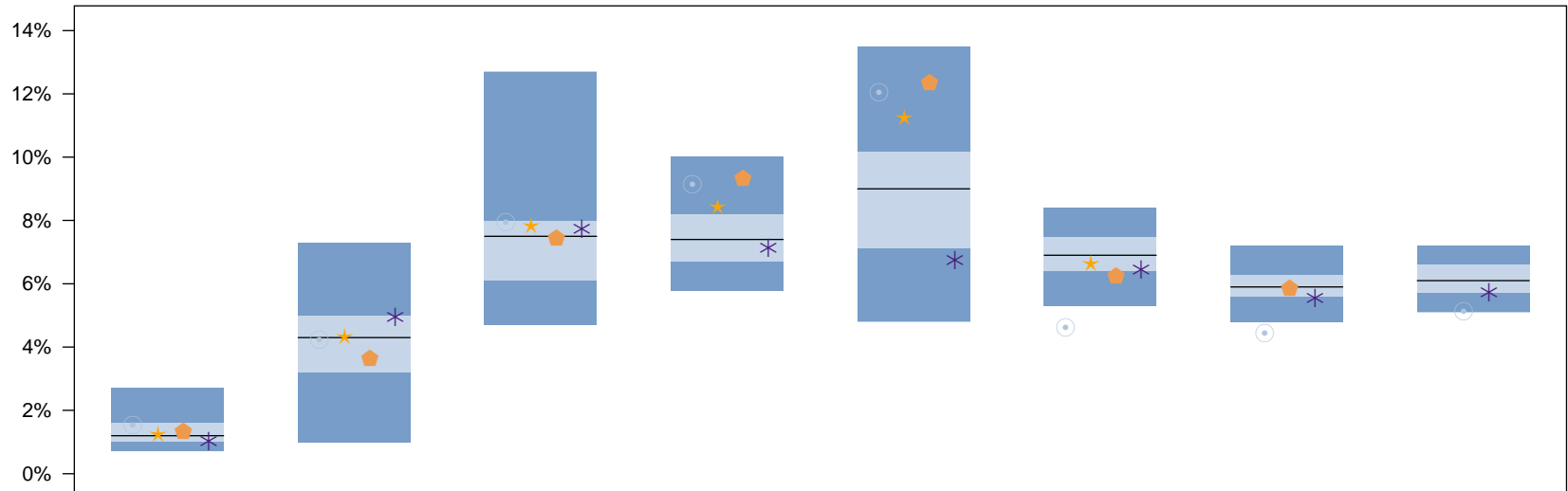
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
△ Total Fixed Inc	1.8	40	1.2	65	5.4	58	8.4	39	11.5	32	5.7	77	5.3	76	5.6	76
* Total Fixed Index	1.5	49	4.6	30	8.5	20	7.6	49	7.0	71	6.6	57	5.7	64	5.9	66
⊗ US Fixed Index	1.7	41	5.5	18	9.2	17	7.9	45	7.3	68	6.8	53	5.8	59	5.9	63
Median	1.4		2.6		6.1		7.5		9.3		6.9		6.0		6.3	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds - Core

Periods Ending December 31, 2011

## Total Returns



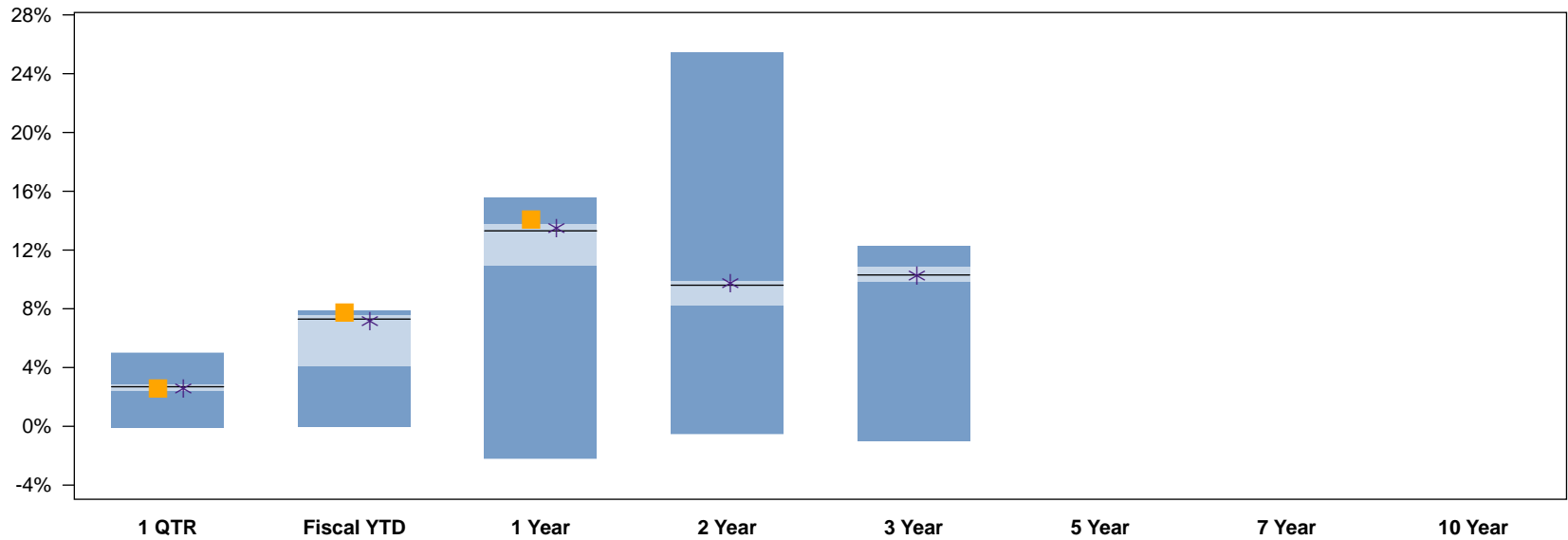
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
○ Aberdeen	1.6	25	4.3	51	8.0	26	9.2	12	12.1	10	4.7	98	4.5	98	5.2	95
★ Pyramis	1.3	45	4.4	49	7.9	29	8.5	21	11.3	16	6.7	60				
◆ Western Asset	1.4	40	3.7	66	7.5	50	9.4	11	12.4	9	6.3	78	5.9	52		
* BC AGGREGATE	1.1	65	5.0	26	7.8	34	7.2	60	6.8	80	6.5	74	5.6	77	5.8	74
Median	1.2		4.3		7.5		7.4		9.0		6.9		5.9		6.1	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Inflation Linked Bond Funds

Periods Ending December 31, 2011

## Total Returns



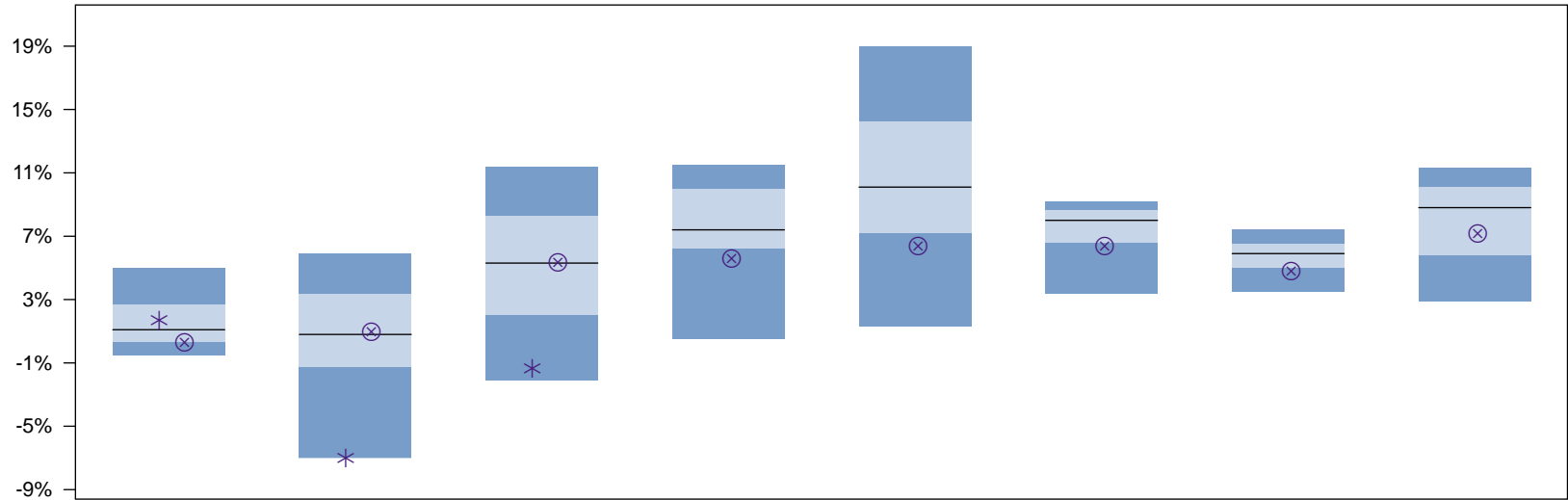
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year	7 Year	10 Year
■ Brown Brothers Harriman	2.7	53	7.9	9	14.2	19							
* BC GLOBAL INFLATION LI	2.7	44	7.3	45	13.6	39	9.9	34	10.4	49			
Median	2.7		7.3		13.3		9.6		10.3				

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Global Fixed Income Funds

Periods Ending December 31, 2011

## Total Returns

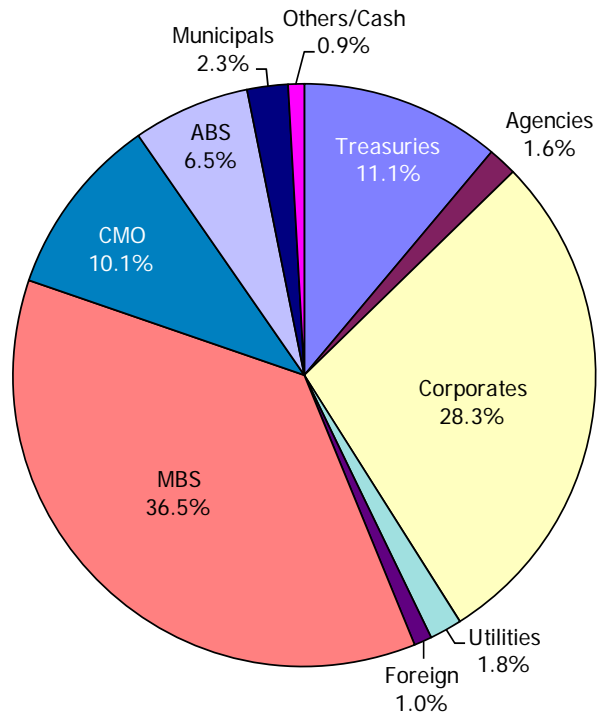


	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
* Franklin Templeton Investme	1.8	33	-6.9	95	-1.2	93										
⊗ BC MULTIVERSE	0.4	70	1.1	44	5.5	46	5.7	81	6.5	81	6.5	77	4.9	77	7.3	67
Median	1.1		0.8		5.3		7.4		10.1		8.0		5.9		8.8	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Fixed Income Sector Allocation – US Fixed Income Composite



Sector*	Account Weight	BC Aggregate Weight	Difference
Treasuries	11.1%	35.2%	-24.1%
Agencies	1.6%	5.6%	-4.0%
Corporates	28.3%	17.6%	10.7%
Utilities	1.8%	2.3%	-0.5%
Foreign	1.0%	4.3%	-3.3%
MBS	36.5%	33.8%	2.6%
CMO	10.1%	0.0%	10.1%
ABS	6.5%	0.2%	6.3%
Municipals	2.3%	1.0%	1.3%
Others/Cash	0.9%	0.0%	0.9%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

\* Sector excludes Angelo Gordon GECC PPI Fund, Brigade Capital Management, Brown Brothers Harriman

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Bond Summary Statistics – US Fixed Income Composite

Portfolio Characteristics*		Portfolio	BC Aggregate
Total Number of Securities			
Total Market Value	\$	320,620,528	
Current Coupon		4.63	4.02
Yield to Maturity		3.44	1.84
Average Life		7.22	6.33
Duration		4.63	4.36
Quality		AA-	Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	3.4
1.0 - 3.0	11.4
3.0 - 5.0	27.9
5.0 - 10.0	28.2
10.0 - 20.0	8.7
20.0+	20.2
Unclassified	0.1

Duration	
Range	% Held
0.0 - 1.0	17.8
1.0 - 3.0	30.0
3.0 - 5.0	23.8
5.0 - 7.0	10.2
7.0 - 10.0	6.9
10.0+	12.1
Unclassified	-0.9

Quality	
Range	% Held
Govt (10)	38.1
Aaa (10)	21.3
Aa (9)	7.3
A (8)	9.7
Baa (7)	14.9
Below Baa (6-1)	8.5
Other	0.3

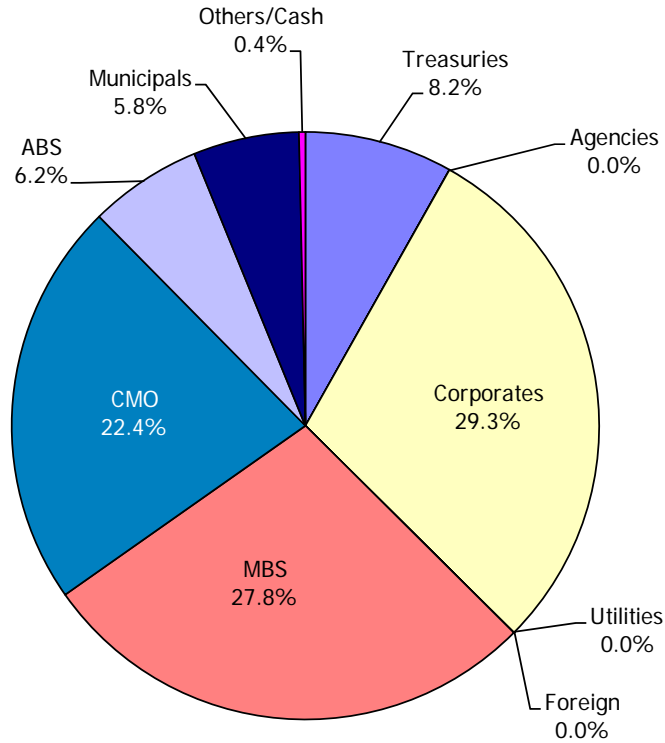
Coupon	
Range	% Held
0.0 - 5.0	58.9
5.0 - 7.0	33.3
7.0 - 9.0	6.5
9.0 - 11.0	1.2
11.0 - 13.0	0.1
13.0+	0.0
Unclassified	0.0

\* Characteristics excludes Angelo Gordon GECC PPI Fund, Brigade Capital Management, Brown Brothers Harriman

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Fixed Income Sector Allocation – Aberdeen Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	8.2%	35.2%	-27.0%
Agencies	0.0%	5.6%	-5.6%
Corporates	29.3%	17.6%	11.7%
Utilities	0.0%	2.3%	-2.3%
Foreign	0.0%	4.3%	-4.3%
MBS	27.8%	33.8%	-6.0%
CMO	22.4%	0.0%	22.4%
ABS	6.2%	0.2%	6.0%
Municipals	5.8%	1.0%	4.8%
Others/Cash	0.4%	0.0%	0.4%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Bond Summary Statistics – Aberdeen Asset

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities		292	
Total Market Value	\$	107,232,293	
Current Coupon		4.85	4.02
Yield to Maturity		3.58	1.84
Average Life		7.12	6.33
Duration		4.57	4.36
Quality		AA-	Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	1.5
1.0 - 3.0	18.6
3.0 - 5.0	39.3
5.0 - 10.0	26.8
10.0 - 20.0	13.5
20.0+	0.0
Unclassified	0.4

Duration	
Range	% Held
0.0 - 1.0	18.5
1.0 - 3.0	27.8
3.0 - 5.0	23.8
5.0 - 7.0	8.5
7.0 - 10.0	10.8
10.0+	10.3
Unclassified	0.4

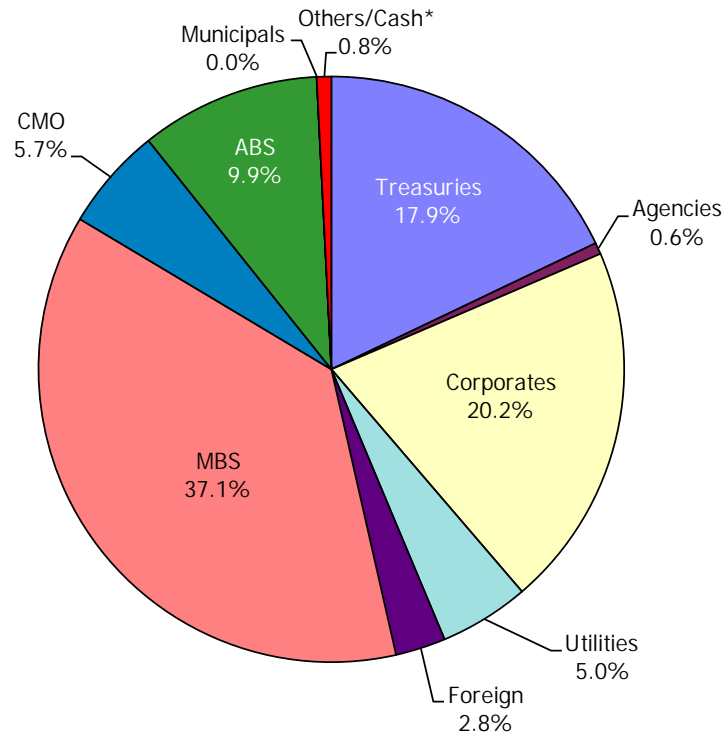
Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	50.8
Aa (9)	10.4
A (8)	16.1
Baa (7)	16.8
Below Baa (6-1)	5.9
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	75.1
5.0 - 7.0	17.9
7.0 - 9.0	5.5
9.0 - 11.0	1.6
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Fixed Income Sector Allocation – Pyramid Broad Market Duration Pool



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	17.9%	35.2%	-17.2%
Agencies	0.6%	5.6%	-4.9%
Corporates	20.2%	17.6%	2.6%
Utilities	5.0%	2.3%	2.7%
Foreign	2.8%	4.3%	-1.6%
MBS	37.1%	33.8%	3.3%
CMO	5.7%	0.0%	5.7%
ABS	9.9%	0.2%	9.7%
Municipals	0.0%	1.0%	-1.0%
Others/Cash*	0.8%	0.0%	0.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

\* May include Derivatives, Futures, Swaps, Credit Default Swaps, Total Return Swaps or Currency Contracts.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Bond Summary Statistics – Pyramis Broad Market Duration Pool

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities			
Total Market Value	\$	107,873,959	
Current Coupon		4.34	4.02
Yield to Maturity		2.95	1.84
Average Life		6.63	6.33
Duration		4.86	4.36
Quality		n/a	Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	7.5
1.0 - 3.0	6.5
3.0 - 5.0	7.0
5.0 - 10.0	22.9
10.0 - 20.0	7.9
20.0+	48.2
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	14.5
1.0 - 3.0	36.5
3.0 - 5.0	23.8
5.0 - 7.0	11.8
7.0 - 10.0	4.9
10.0+	11.5
Unclassified	-2.9

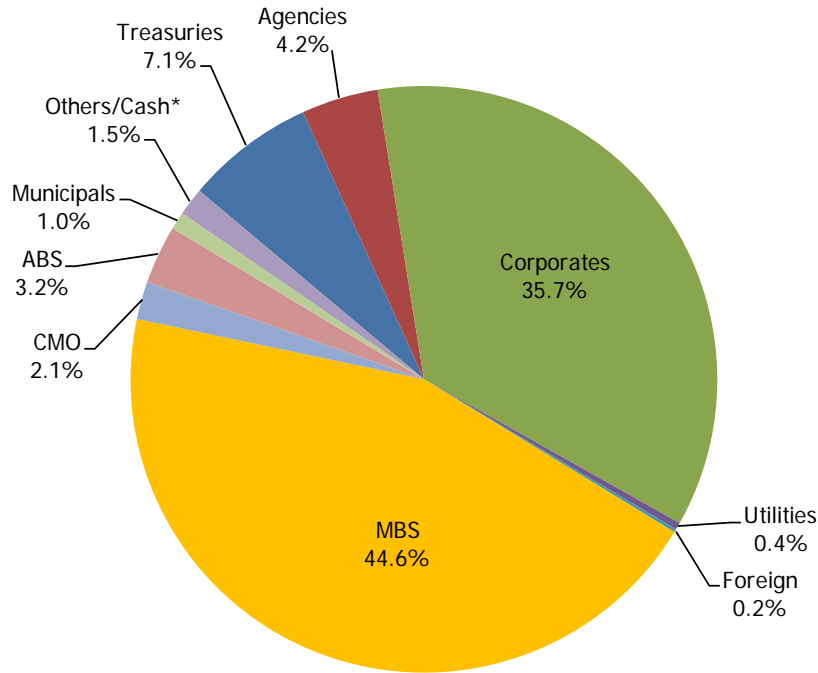
Quality	
Range	% Held
Govt (10)	59.6
Aaa (10)	6.8
Aa (9)	3.0
A (8)	7.2
Baa (7)	17.6
Below Baa (6-1)	5.1
Other	0.8

Coupon	
Range	% Held
0.0 - 5.0	55.3
5.0 - 7.0	39.9
7.0 - 9.0	4.0
9.0 - 11.0	0.6
11.0 - 13.0	0.2
13.0+	0.0
Unclassified	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Fixed Income Sector Allocation – Western Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	7.1%	35.2%	-27.9%
Agencies	4.2%	5.6%	-1.3%
Corporates	35.7%	17.6%	18.1%
Utilities	0.4%	2.3%	-1.9%
Foreign	0.2%	4.3%	-4.2%
MBS	44.6%	33.8%	10.8%
CMO	2.1%	0.0%	2.1%
ABS	3.2%	0.2%	3.0%
Municipals	1.0%	1.0%	0.0%
Others/Cash*	1.5%	0.0%	1.5%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.1%</b>

\* Commingled funds (2.4% Western Asset Floating Rate High Income Fund LLC, 2.0% Western Asset Opportunistic Intl Invest Grade Sec Portfolio LLC, 4.0% Western Asset Opportunistic US High Yield LLC, -0.4% Short Term Securities)

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Bond Summary Statistics – Western Asset

Portfolio Characteristics		Portfolio	BC Aggregate
Total Number of Securities		430	
Total Market Value	\$	105,514,276	
Current Coupon		4.71	4.02
Yield to Maturity		3.81	1.84
Average Life		7.92	6.33
Duration		4.45	4.36
Quality		A1/A+	Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	1.3
1.0 - 3.0	9.1
3.0 - 5.0	37.7
5.0 - 10.0	35.1
10.0 - 20.0	4.8
20.0+	12.0
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	20.4
1.0 - 3.0	25.8
3.0 - 5.0	23.9
5.0 - 7.0	10.3
7.0 - 10.0	5.0
10.0+	14.7
Unclassified	0.0

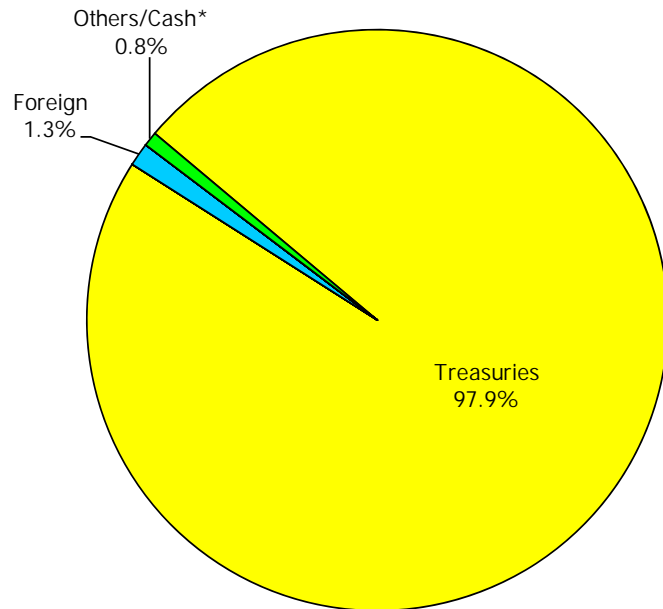
Quality	
Range	% Held
Govt (10)	54.8
Aaa (10)	6.0
Aa (9)	8.5
A (8)	5.8
Baa (7)	10.1
Below Baa (6-1)	14.8
Other	0.0

Coupon	
Range	% Held
0.0 - 5.0	46.2
5.0 - 7.0	42.1
7.0 - 9.0	10.0
9.0 - 10.0	1.6
10.0+	0.2
Unclassified	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Fixed Income Sector Allocation – Brown Brothers Harriman



Sector	Account Weight	ML TIPS INDEX	Difference
Treasuries	97.9%	100.0%	-2.1%
Agencies	0.0%	0.0%	0.0%
Corporates	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Foreign	1.3%	0.0%	1.3%
MBS	0.0%	0.0%	0.0%
CMO	0.0%	0.0%	0.0%
ABS	0.0%	0.0%	0.0%
Municipals	0.0%	0.0%	0.0%
Others/Cash*	0.8%	0.0%	0.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

\* May include Derivatives, Futures, Swaps, Credit Default Swaps, Total Return Swaps or Currency Contracts.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Bond Summary Statistics – Brown Brothers Harriman

Portfolio Characteristics		Portfolio	ML TIPS
Total Number of Securities		12	31
Total Market Value	\$	77,726,446	
Current Coupon		2.11	1.91
Yield to Maturity		-0.30	-0.26
Average Life			
Duration		8.05	8.44
Quality		AAA	AAA

Yield to Maturity	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 3.0	7.2
3.0 - 5.0	30.7
5.0 - 8.0	25.6
8.0 - 10.0	0.0
10.0 - 15.0	26.6
15.0+	9.8
Unclassified	0.0

Duration	
Range	% Held
0.0 - 3.0	7.2
3.0 - 5.0	30.5
5.0 - 8.0	26.0
8.0 - 10.0	0.0
10.0 - 15.0	32.8
15.0+	3.5
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	97.9
Aaa (10)	1.3
Aa (9)	0.0
A (8)	0.0
Baa (7)	0.0
Below Baa (6-1)	0.0
Other	0.8

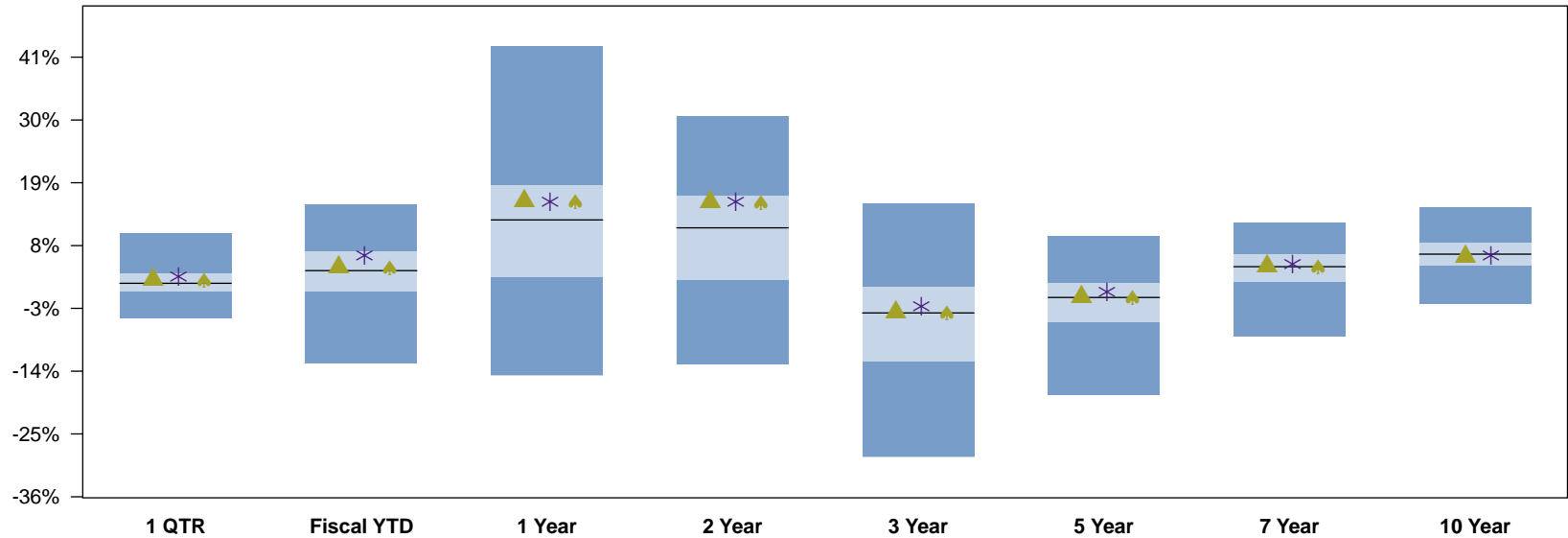
Coupon	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	0.0
7.0 - 9.0	0.0
9.0 - 11.0	0.0
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Real Estate Funds

Periods Ending December 31, 2011

## Total Returns



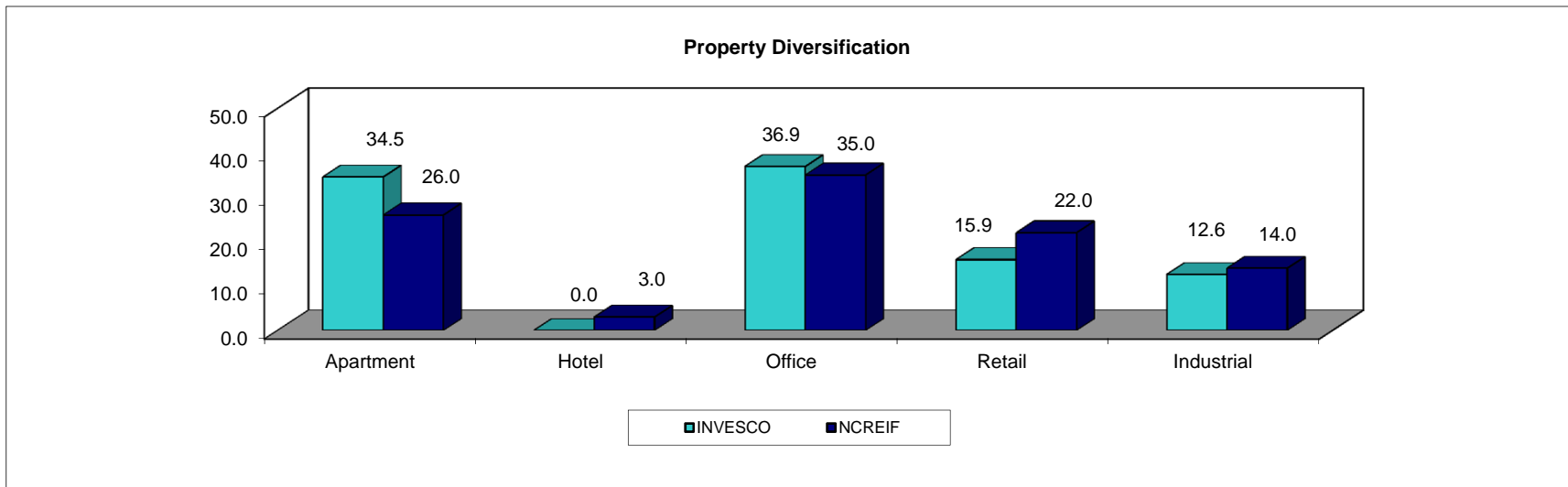
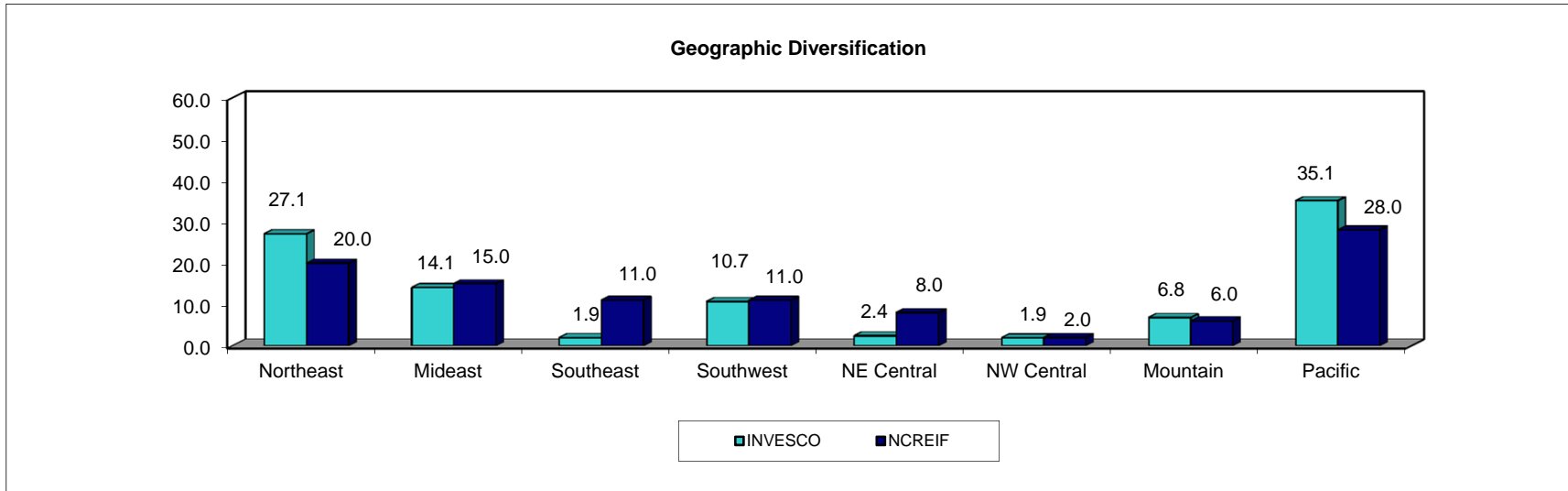
	1 QTR		Fiscal YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
▲ Real Estate	3.1	27	5.3	40	16.9	30	16.8	25	-2.6	44	0.1	36	5.4	41	7.1	43
* Real Estate Index	3.0	32	6.6	28	16.0	34	16.0	28	-2.3	42	0.2	35	5.1	43	6.6	50
◆ Invesco RE	3.1	27	5.3	40	16.9	30	16.8	25	-2.6	44	0.1	36	5.4	41		
Median	1.4		3.6		12.5		11.1		-3.8		-1.1		4.3		6.5	



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Real Estate Diversification Analysis – INVESCO Core Real Estate



**SAN MATEO COUNTY EMPLOYEES' RET ASSOC**  
Fourth Quarter 2011

Real Estate Valuation Analysis

**Real Estate Valuation Analysis – INVESCO Core Real Estate**

Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 12/31/2011 (3.96%)
<b>APARTMENTS</b>							
Seneca Village	Portland-Vancv OR-WA	\$36,800,000	\$38,900,000	\$38,900,000	2Q04	December-11	\$1,540,562
Grandville at the Commons	South Kingstown, RI	\$43,400,000	\$43,600,000	\$43,600,000	3Q05	December-11	\$1,726,696
Broadstone at Foothills	San Bernardino, CA	\$25,300,000	\$25,200,000	\$25,200,000	1Q06	December-11	\$997,999
Milestone Apt. Portfolio	Various States - South	\$240,625,000	\$258,280,000	\$93,148,483	2Q06	December-11	\$3,688,971
Stoneridge	Pleasanton, CA	\$136,100,000	\$142,400,000	\$142,400,000	4Q06	December-11	\$5,639,485
Kimberly Woods	San Jose, CA	\$53,400,000	\$55,600,000	\$39,550,000	4Q06	December-11	\$1,566,304
Sterling Parc Apartments	Cedar Knolls, NJ	\$87,300,000	\$87,300,000	\$87,300,000	2Q07	December-11	\$3,457,353
Millington at Merrill Creek	Everett, WA	\$57,100,000	\$59,700,000	\$59,700,000	2Q07	December-11	\$2,364,307
The Residences at Stevens Pond	Boston MA - NH	\$77,100,000	\$80,000,000	\$80,000,000	4Q07	December-11	\$3,168,250
Holland Portfolio	Seattle - Belle - Eve WA	\$237,742,099	\$250,189,830	\$102,582,581	4Q07	December-11	\$4,062,591
Village Crossing at Chino Hills	Riverside, CA	\$71,400,000	\$71,800,000	\$28,954,857	1Q08	December-11	\$1,146,703
Metropolitan at Pentagon City	Arlington, VA	\$153,100,000	\$150,700,000	\$89,666,405	3Q10	December-11	\$3,551,070
Ladd Tower	Portland, OR	\$95,200,000	\$95,200,000	\$95,200,000	4Q10	December-11	\$3,770,218
Legacy Fountain Plaza	San Jose, CA	\$98,600,000	\$98,700,000	\$98,700,000	1Q11	December-11	\$3,908,829
The Elektra	New York, NY	\$129,200,000	\$129,500,000	\$59,500,000	1Q11	December-11	\$2,356,386
		\$1,542,367,099	\$1,587,069,830	\$1,084,402,326			\$42,945,724
<b>INDUSTRIAL</b>							
Arjons	San Diego CA	\$26,500,000	\$26,500,000	\$26,500,000	2Q04	December-11	\$1,049,483
Garland Gateway East	Dallas TX	\$10,200,000	\$10,200,000	\$10,200,000	2Q04	December-11	\$403,952
Gateway Business Park	Dallas TX	\$8,600,000	\$8,600,000	\$8,600,000	2Q04	December-11	\$340,587
Hayward Industrial	Oakland CA	\$77,200,000	\$79,200,000	\$79,200,000	3Q04-3Q07	December-11	\$3,136,568
Lackman	Kansas City MO-KS	\$18,800,000	\$19,800,000	\$19,800,000	2Q04	December-11	\$784,142
Crossroads Industrial	Kansas City MO-KS	\$7,900,000	\$7,900,000	\$7,900,000	1Q06	December-11	\$312,865
Oakesdale Commerce Center	Seattle - Belle - Eve WA	\$33,400,000	\$33,600,000	\$33,600,000	1Q06	December-11	\$1,330,665
South Bay Industrial	Los Angeles, CA	\$66,700,000	\$67,300,000	\$67,300,000	4Q06	December-11	\$2,665,290
VIP Holdings I	Chicago, IL	\$69,840,707	\$69,967,446	\$19,682,549	2Q06	December-11	\$779,491
Tempe Commerce	Phoenix - Mesa AZ	\$50,400,000	\$50,400,000	\$50,400,000	4Q07	December-11	\$1,995,998
Steeplechase 95 International Business Park	Capitol Heights, MD	\$21,600,000	\$21,700,000	\$21,700,000	1Q11	December-11	\$859,388
Airport Trade Center III & V	Dallas, TX	\$28,200,000	\$28,500,000	\$28,500,000	1Q11	December-11	\$1,128,689
IE Logistics	San Bernardino, CA	\$91,975,985	\$96,700,000	\$96,700,000	3Q11	December-11	\$3,829,622
Railhead Drive Industrial	Dallas, TX	\$0	\$58,325,000	\$58,325,000	4Q11	acquired 4Q11	\$2,309,852
		\$511,316,691	\$578,692,446	\$528,407,549			\$20,926,592

**SAN MATEO COUNTY EMPLOYEES' RET ASSOC**  
Fourth Quarter 2011

Real Estate Valuation Analysis

Real Estate Valuation Analysis – INVESCO Core Real Estate

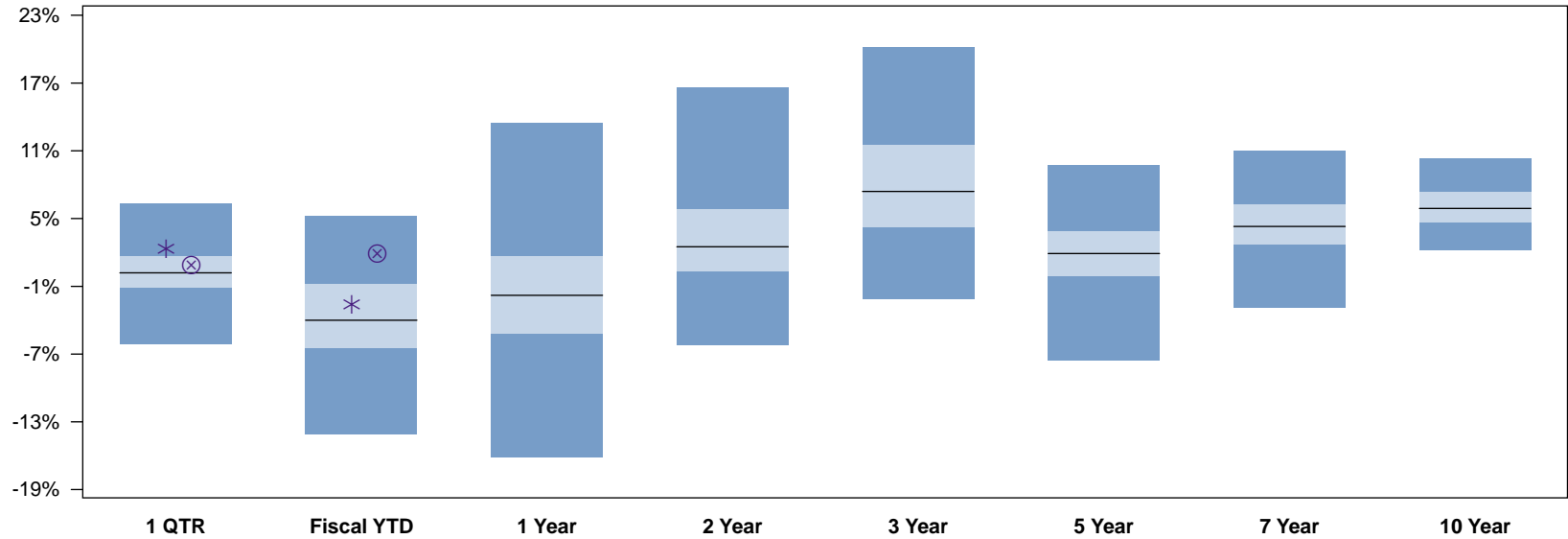
Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 12/31/2011 (3.96%)
<b>OFFICE</b>							
55 Cambridge	Boston MA - NH	\$127,000,000	\$132,700,000	\$79,148,926	4Q06	December-11	\$3,134,545
One Liberty	Boston MA - NH	\$42,100,000	\$43,200,000	\$43,200,000	2Q07	December-11	\$1,710,855
Gainey Center II	Scottsdale - AZ	\$28,300,000	\$28,300,000	\$28,300,000	3Q07	December-11	\$1,120,769
Valencia Town Center	Valencia, CA	\$144,700,000	\$142,000,000	\$142,000,000	3Q07	December-11	\$5,623,644
Park Ten Plaza	Houston, TX	\$26,000,000	\$27,200,000	\$27,200,000	1Q05	December-11	\$1,077,205
Westport Corporate Center	Fairfield County, CT	\$15,900,000	\$15,900,000	\$15,900,000	4Q07	December-11	\$629,690
Parkside Towers	San Francisco, CA	\$79,663,579	\$82,116,899	\$36,320,262	1Q08	December-11	\$1,438,396
The Executive Building	Washington DC	\$141,000,000	\$151,000,000	\$151,000,000	2Q08	December-11	\$5,980,072
Brill Building	New York, NY	\$68,706,000	\$69,498,000	\$29,748,299	4Q07	December-11	\$1,178,126
10 Brookline Place	Brookline, MA	\$120,000,000	\$120,000,000	\$120,000,000	2Q10	December-11	\$4,752,375
1111 Pennsylvania Avenue	Washington, D.C.	\$253,700,000	\$255,500,000	\$255,500,000	4Q10	December-11	\$10,118,599
1800 Larimer	Denver, CO	\$216,000,000	\$216,100,000	\$216,100,000	1Q11	December-11	\$8,558,236
230 Park Avenue	New York, NY	\$413,100,000	\$413,100,000	\$228,943,533	2Q11	December-11	\$9,066,880
		\$1,676,169,579	\$1,696,614,899	\$1,373,361,020			\$54,389,392
<b>RETAIL</b>							
Broadway at Surf	Chicago IL	\$21,700,000	\$22,200,000	\$22,200,000	2Q04	December-11	\$879,189
Carriagetown Marketplace	Boston MA - NH	\$20,500,000	\$20,100,000	\$20,100,000	2Q04	December-11	\$796,023
Chandler Pavilions	Phoenix - Mesa AZ	\$18,300,000	\$18,300,000	\$18,300,000	2Q04	December-11	\$724,737
Matthews Township	Charlotte - G - RH NC-SC	\$21,700,000	\$22,000,000	\$22,000,000	2Q04	December-11	\$871,269
Windward Commons	Atlanta GA	\$20,100,000	\$20,800,000	\$20,800,000	2Q04	December-11	\$823,745
Summit Heights	Fontana, CA	\$34,300,000	\$33,100,000	\$33,100,000	3Q05	December-11	\$1,310,864
Cityline at Tenley	Washington, D.C.	\$45,300,000	\$45,400,000	\$45,400,000	4Q05	December-11	\$1,797,982
Ridgehaven Mall	Minnetonka, MN	\$30,200,000	\$30,600,000	\$19,100,000	4Q05	December-11	\$756,420
The Beacon Retail	San Francisco, CA	\$39,400,000	\$42,800,000	\$42,800,000	1Q06	December-11	\$1,695,014
The Beacon Garage	San Francisco, CA	\$23,400,000	\$23,400,000	\$23,400,000	1Q06	December-11	\$926,713
Oak Brook Court	Chicago, IL	\$24,900,000	\$18,400,000	\$18,400,000	4Q07	December-11	\$728,698
Hawthorne Plaza	Overland Park, KS	\$28,100,000	\$29,100,000	\$29,100,000	4Q07	December-11	\$1,152,451
Sunshine State Portfolio	Various - FL	\$51,800,000	\$51,800,000	\$51,800,000	4Q07	December-11	\$2,051,442
The Loop	Boston MA - NH	\$84,500,000	\$88,600,000	\$88,600,000	1Q08	December-11	\$3,508,837
Westbank Marketplace	Austin, TX	\$43,600,000	\$44,300,000	\$19,497,599	3Q10	December-11	\$772,166
910 Lincoln Road	Miami, FL	\$16,700,000	\$16,700,000	\$16,700,000	4Q10	December-11	\$661,372
Lake Pointe Village	Houston, TX	\$0	\$55,900,000	\$55,900,000	4Q11	acquired 4Q11	\$2,213,815
Safeway Kapahulu	Hawaii	\$0	\$72,200,000	\$72,200,000	4Q11	acquired 4Q11	\$2,859,346
Safeway Burlingame	San Francisco, CA	\$0	\$44,442,315	\$44,442,315	4Q11	acquired 4Q11	\$1,760,055
Shamrock Plaza	Oakland, CA	\$0	\$32,300,000	\$32,300,000	4Q11	acquired 4Q11	\$1,279,181
		\$524,500,000	\$732,442,315	\$696,139,914			\$27,569,318
Portfolio Total		\$4,254,353,369	\$4,594,819,489	\$3,682,310,809			\$145,831,025

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Hedge Funds

Periods Ending December 31, 2011

## Total Returns



\* AQR Delta Fund II  
 ⊗ Hedge Fund Index  
 Median

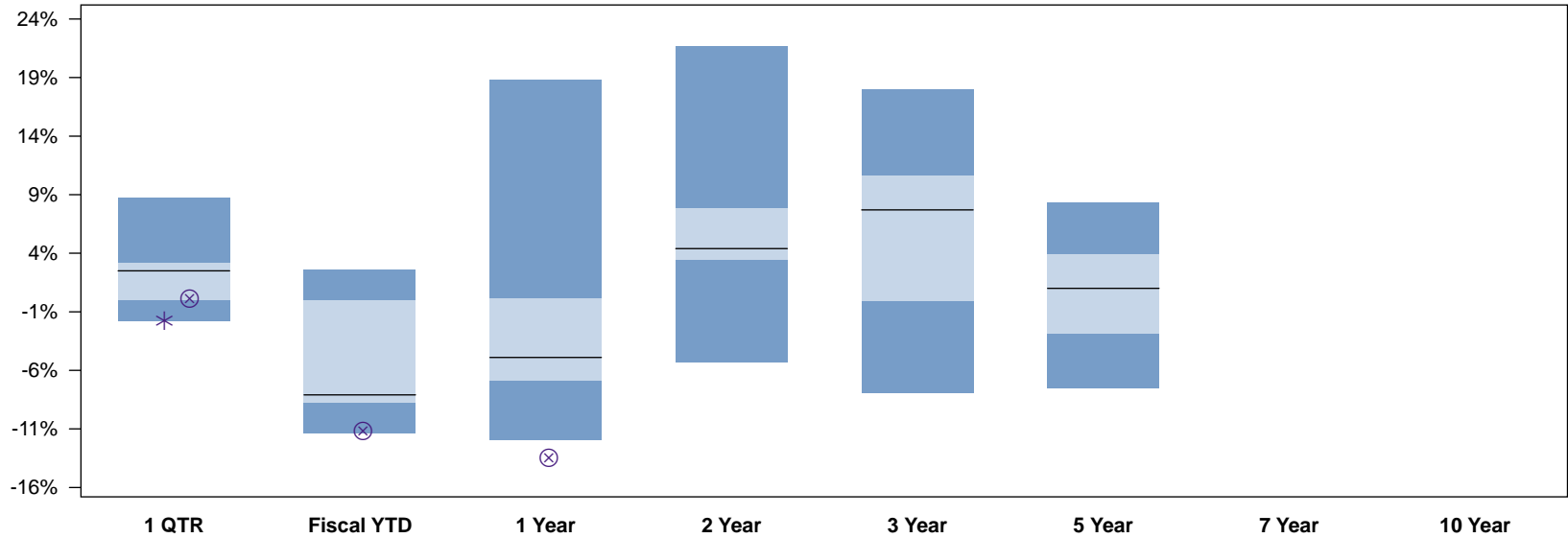
	1 QTR	Fiscal YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
* AQR Delta Fund II	2.5	17	-2.4	35				
⊗ Hedge Fund Index	1.1	34	2.1	9				
Median	0.2	-4.0	-1.8	2.5	7.4	1.9	4.3	5.9

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Commodity Funds

Periods Ending December 31, 2011

## Total Returns



\* SSqA Multisource Account  
 ⊗ Commodities Index  
 Median

-1.6 95

0.3 68

2.5

Fiscal YTD

-11.0 92

-8.1

1 Year

-13.3 97

-4.9

2 Year

4.4

3 Year

7.7

5 Year

1.0

7 Year

10 Year

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [Aberdeen Asset Management – Core Fixed Income](#)

Aberdeen Asset Management's approach is bottom up, looking for relative value among specific issues. The Core Fixed Income investment process is duration neutral and relies on credit exposure as the primary means of adding value. Fundamental credit research requires knowledge of the underlying credit and identification of pricing inefficiencies uncovered through proprietary research. They focus on high quality issues, maintaining an average AA quality in the portfolio. The investment process also stresses a detailed knowledge of a bond's structure, in particular options and prepayment characteristics. The bond selection process typically identifies securities with more predictable cash flows. Yield curve positioning is diversified, and bets along the yield curve tend to be modest. The bottom up process can lead to heavy sector concentrations, particularly in corporates. The process incorporates the use of taxable municipal securities which is unusual among US fixed income managers.

### [Angelo, Gordon & Co. – AG GECC Public-Private Investment Fund, L.P. \(PPIP\)](#)

Angelo, Gordon (AG) and GE Capital Corporation (GECC) jointly manage this fund, which targets investments in legacy non-Agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) originally rated AAA. The strategy is primarily long-term buy-and-hold, although tactical trading based on more short-term technical factors is also incorporated. The allocation between RMBS and CMBS is flexible and will be managed opportunistically, although the initial focus is expected to be on RMBS. The fund utilizes up to 2:1 leverage (i.e., assets: equity) provided by the US Treasury under the Public-Private Investment Program (PPIP). The fund, structured as a closed-end private partnership, has a term of 8 years with two potential 1-year extensions and no early withdrawal rights. Annual distributions of up to 8% may be made, pending cash flow realizations from the underlying securities and scheduled repayment of the UST leverage facility. AG/GECC's approach utilizes top-down analysis to project macroeconomic factors (e.g., unemployment, interest rates), real estate prices and trends, default frequencies, recovery rates, etc. In addition, detailed bottom-up analysis covering the underlying collateral, loan originator, loan servicer and structural features (e.g., cash flow hierarchy, covenants) is conducted on each individual security in the investment universe. In addition to absolute value considerations, an assessment of relative value is made between the various sectors (e.g., RMBS vs. CMBS, Alt-A RMBS vs. Subprime RMBS) as well as individual securities within the same sector. Extensive stress testing and scenario analysis is also performed to determine worst-case loss if the underlying collateral pool (i.e., mortgages) suffers a high number of defaults and/or severe loss severities, the goal being to purchase securities with a significant margin of safety.

### [AQR – Hedge](#)

The AQR DELTA Fund aims to deliver efficient exposure to a well-diversified portfolio of hedge fund strategies, including Convertible Arbitrage, Event Driven, Fixed Income Relative Value, Equity Market Neutral, Long/Short Equity, Dedicated Short Bias, Global Macro, Managed Futures, and Emerging Markets. The Delta Fund's approach is to capture and deliver the "hedge fund risk premiums" that explain much of the returns of each of these strategies by building bottom-up positions in each strategy. AQR's research has demonstrated that many hedge funds use similar strategies to generate returns. These strategies are often well-known, widely understood and share common exposures. AQR's experience and research suggests much of the insight underlying these strategies - as well as a meaningful portion of their returns - can be captured using a dynamic, disciplined investment approach. Just as the equity risk premium can explain a large portion of the returns from equity investing, hedge fund risk premiums can explain the returns from hedge fund investing. Importantly, while compensation for equity risk is dependent on economic growth, hedge fund risk premiums are largely unrelated to economic activity, and thus provide attractive diversification properties.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [AQR – Risk Parity](#)

The objective of Global Risk Parity (GRP) is to generate excess returns from a risk diversified portfolio of asset exposures. AQR believes that its approach maximizes the diversification benefit across a broad range of economic environments. For many institutional portfolios, equity risk has historically been the predominant risk and the source of most return expectations since equities offer higher expected returns to compensate for their high risk. Investor preference for and concentration in equities has been driven by their expected return needs, which cannot be satisfied in a well-diversified un-levered portfolio. GRP is a diversified portfolio that can be scaled to similar levels of risk as a portfolio concentrated in equities, but with a higher expected return resulting from diversification across asset class risk. The approach helps do away with the compromise of concentrating in high risk assets to meet high return needs. Consistent with portfolio theory, the GRP strategy is designed to maximize diversification across a broad spectrum of liquid global risk premia to create a portfolio with higher expected risk-adjusted returns. Research shows that risk-adjusted returns across asset classes are similar over the long-term. Since realized risk-adjusted returns across asset classes are similar, AQR expects a portfolio that is diversified equally by risk to perform better. The Global Risk Premium strategy aims to deliver efficient market exposure across four broad asset classes in a risk balanced fashion.

### [Artio Global Investors – International Equity](#)

Artio's investment philosophy is that a well diversified international equity portfolio provides better risk-adjusted returns than a concentrated portfolio. Overall, the approach can be characterized as flexible with regard to style, market cap, country and sector weightings, and cash exposure; but disciplined with regard to security diversification. The investment process is based on fundamental assessment of companies, sectors and macroeconomic influences on regions and countries. The process is both top down and bottom up. In emerging countries and, to some degree in Japan, investment ideas are driven by the team's view of factors such as GDP growth rates, political issues, interest rates and currencies. However, in the developed markets, traditional fundamental security analysis and industry analysis are the primary drivers of stock selection. The analysts employ multiple valuation metrics depending on what is most appropriate for a given sector. They also consider growth factors at a country, industry and stock level. The portfolio typically invests 5%-15% in emerging markets and 10% in smaller capitalization stocks but at any given time the exposure to these asset classes can vary substantially. While the managers do not entirely ignore the benchmark, country and sector weightings can also diverge quite sharply from the index. The main risk control is diversification at the security level with the number of portfolio holdings at approximately 300 names. This product is closed to new investors.

### [Barrow Hanley – Diversified Large Cap Value](#)

Barrow Hanley takes a bottom up value approach to equity investing. They seek to buy stocks that exhibit all three of the following characteristics: price/earnings and price/book ratios below the market, and dividend yield above the market (with the S&P 500 representing the market). Their view is that a portfolio that emphasizes low price/book and high dividend yield stocks will provide some protection in down markets and participation in improving economic cycles. In addition to their basic valuation criteria, Barrow Hanley is also looking for profitable companies with earnings growth greater than the market. After the quantitative screening process, Barrow Hanley's equity research team conducts qualitative analysis of candidate investments. This involves forecasting ROE 5-years out and treating this forecast as the basis for earnings, book value and dividend yield projections for the same five year period. These projections are used as inputs into a dividend discount model and relative return model. Stocks that appear to be attractively valued according to both of these models comprise the firm's buy list. The portfolio managers construct the portfolio with 70-90 of the buy list names. Securities are weighted approximately equally, with core positions in the range of 1.5%. Sector weightings are limited to 35% (at cost) and industry weightings are limited to 15%. Stocks are generally held for three to four years, resulting in average turnover of 25% - 35%.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [BlackRock – Russell 1000 Index](#)

BlackRock uses a full replication approach. They hold each stock in the same proportion in which it is represented in the Russell 1000 Index. BGI monitors the funds daily to ensure that additions and deletions to the Russell 1000, mergers and acquisitions, restructurings and other capitalization changes are made to the fund in such a way to minimize tracking error and transactions costs.

### [BlackRock – Fundamental Large Cap Growth](#)

BlackRock US Fundamental Large Cap Growth's investment philosophy is that fundamental research can generate stock specific insights that can be used to create alpha in client portfolios. The approach is to employ bottom-up stock selection to construct portfolios of two types of companies, those with stable growth and those with accelerating earnings. The universe is composed of stocks with market capitalizations above \$2 billion and daily trading volume above \$20 million. BlackRock describes this approach to large cap growth investing as disciplined but flexible. They do not employ a hard and fast mathematical formula or rigid set of criteria. Rather, the team focuses on developing an investment thesis for each stock that they purchase based on a catalyst and a fundamental assessment. Stable growth holdings exhibit the following characteristics: consistent earnings growth over 3- to 5-years, sustainable competitive advantages, strong management with proven ability to execute, and attractive relative and absolute valuation. Opportunistic holdings exhibit earnings momentum, above consensus earnings and a catalyst for a near term surprise. Risk monitoring is the responsibility of the investment team and also BlackRock's Risk & Quantitative analysis group, which leverages BlackRock Solutions, the firm's risk analytics platform. At the portfolio level, risk is viewed as deviation from the benchmark, i.e. tracking error. The portfolio holds 60-80 stocks with positions generally limited to 5% at cost unless they comprise more than 3% of the benchmark. Sectors are kept with 10 percentage points of the benchmark weighting.

### [The Boston Company – Small Cap Index](#)

The Boston Company's approach to small cap value investing is to conduct bottom-up fundamental research in an effort to add value through security selection. The investment process seeks to identify the stocks of companies which have compelling valuations and business fundamentals, as well as a catalyst for positive change. The appropriate valuation metrics for an individual company can vary depending on industry. Ideas are generated from company meetings, industry contacts and team's internal research. The universe of domestic small-cap equity securities is quantitatively screened for valuation, business health and earnings revisions. In addition, they also screen/track operating income and EBITDA estimate revisions. Once candidates for investment are identified, individual stock weights are determined by portfolio risk, liquidity, and analyst conviction. Normally, portfolios will contain between 120-150 holdings (from a short list of 500 securities), with a maximum individual security weighting of 5%, though most are less than 3%. Securities will typically be in the \$100 million - \$2 billion market cap range at time of purchase. Generally, sector exposure is limited to no more than 2X the index weight with a maximum overweight of 10 percentage points and a maximum underweight of half that of the index. The goal is for portfolios to be close to fully invested at all times, with cash typically below 5%. Any stock down 20% from the purchase price is reviewed. In addition, portfolios are reviewed on a regular basis for unintended risk. Positions are sold when any one of the three investment criteria (valuation, fundamentals, catalyst) breaks down.

### [Brigade – Opportunistic Credit](#)

Opportunistic Credit is a fundamental, bottom-up strategy focused on high yield corporate bonds and bank loans with tactical allocations to structured securities, convertibles and other sectors of the bond markets as they become attractive on a relative value basis. While performing credits represent the majority, Brigade will invest up to 35% of the portfolio in distressed securities and restructuring situations if these types of opportunities are attractive on a risk-adjusted basis and the timing is right with respect to the credit cycle. The portfolio is comprised of mostly North American issuers, but they are not restricted geographically and expect to have a moderate allocation to Europe over time. Although the portfolio is generally long-only, Brigade has the ability to implement a limited amount of tactical macro hedges.



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [Brown Brothers Harriman – Inflation Indexed Securities](#)

BBH manages TIPS using three main types of strategies: Fundamental, Technical and Opportunistic. The Fundamental bucket has two sub-strategies, real yield duration and real yield curve slope vs. nominal yield curve slope. The Technical strategies consist of yield curve roll-down, auction cycle trading, seasonal vs. non-seasonal CPI and security selection/option value analysis. Finally, nominal Treasuries vs. TIPS, sector relative value (i.e., corporate or Agency inflation-linked bonds) and non-Dollar inflation-linked bonds make up the Opportunistic group. Real yield duration is held to +/- 1 year vs. the benchmark and the portfolio has a limited allocation to non-index securities, typically 5-10% with a maximum of 20% (including nominal Treasuries).

### [Chartwell Investment Partners – Small Cap Growth](#)

Chartwell's Small Cap Growth product strives to hold stocks with strong fundamentals that are best positioned for rapid growth. These businesses typically demonstrate strong increases in earnings per share. Chartwell invests in these securities with an intermediate time horizon in mind. They initiate investments opportunistically and when stocks are attractively valued. Chartwell focuses on high growth companies that lie in the middle of the momentum and growth at a reasonable price continuum, and construct Small Cap Growth portfolios with fairly low tracking errors. Portfolios contain 50-70 stocks with market capitalizations between \$200 million and \$2.5 billion at purchase. Meetings with management are an important part of the investment process. This product is closed to new investors.

### [D.E. Shaw – Broad Market Core Enhanced Plus Strategy](#)

The D. E. Shaw group believes that there exist some market inefficiencies that may be identified through quantitative analysis, advanced technology, and the insight of practitioners. Identifying these inefficiencies involves a process of hypothesis formulation, testing, and validation. Importantly, to avoid data-mining, the hypothesis formulation precedes the analysis of the historical data. D.E. Shaw's Structured Equity strategies rely largely on quantitative and computational investment techniques developed by the D. E. Shaw over the last 19 years in the course of research conducted for purposes of managing the firm's hedge funds. Although the D.E. Shaw's long-only assets under management are comparatively modest, the firm's hedge fund assets are substantial, as are the resources devoted to quantitative research and portfolio management. D.E. Shaw's investment process involves a suite of quantitative models, each designed to capitalize on a distinct and uncorrelated set of market inefficiencies. Some of these models are technical in nature and involve price and volume inputs. Other models rely on fundamental data, such as figures gleaned from corporate balance sheets or income statements. Still others, again quantitative, anticipate or react to a particular corporate event or set of events. These models typically operate with forecast horizons of a few weeks to many months. The ability to trade on shorter-term signals distinguishes D.E. Shaw from many of its long only enhanced index peers. Portfolio construction involves the use of a proprietary optimizer which runs dynamically throughout the trading day. The portfolio will generally hold 300-500 securities. Over- and under-weighting of sectors and industries relative to the benchmark will be quite modest, with the intention that most of the alpha be generated by security selection.

### [Franklin Templeton Investments – Global Fixed Income](#)

Franklin Templeton manages the global bond mandate in an unconstrained fashion using a top-down, fundamental framework. In the short term and on a country-by-country basis there are often inefficiencies in global bond and currency markets, however, over the longer term the market will generally price to fundamentals. Thus, FT focuses on fundamental research to identify long-term opportunities and uses short-term market inefficiencies to build positions in such investments. The investment and portfolio construction process begins with the determination of the Fund's or institutional client's investment objectives, resulting in a set of risk-return parameters and exposure limits within which the portfolio is managed. Next the firm's global economic outlook for the industrialized countries is developed, with a focus on interest rate and exchange rate forecasts. The portfolio's interest rate outlook is a function of global general equilibrium macroeconomic analysis as well as country-specific research. Macroeconomic conditions in the G-3 economies are analyzed first, primarily with respect to how current and projected growth and inflation dynamics are expected to influence monetary policy. This analysis is then extended out to the rest of the industrialized countries (G-13) as well as emerging markets, which results in broad targets for

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

establish specific country weights and duration targets based on risk-adjusted expected total return measured in the portfolio's base currency. Analysis of emerging markets includes sovereign credit analysis along with greater emphasis on capital flows, inter-market dynamics and trends in the level of risk aversion in the market.

### [INVESCO Realty Advisors – INVESCO Core Equity, LLC](#)

SamCERA is a founding member of INVESCO's open end Core Equity real estate fund and rolled its separate account properties into the fund. INVESCO Core Equity, LLC (the "Fund") is a perpetual life, open-end vehicle which invests in a diversified portfolio of institutional quality office, retail, industrial and multifamily residential real estate assets. The Fund buys core properties that are located within the United States, typically requiring an investment of \$10 million or more. The portfolio cannot be more than 30% leveraged.

### [Jennison Associates – US Small Cap](#)

Jennison's approach is based on the premise that bottom up fundamental research can add significant value by uncovering inefficiencies in the small cap asset class. They seek out companies that they believe have attractive valuations, and should experience superior earnings growth on an intermediate term basis. In addition, Jennison looks for companies with the following attributes: strong competitive position, quality management team, demonstrated growth in sales and earnings, balance sheet flexibility and strength. The portfolio contains 110-135 stocks with a maximum position size of 4%, with actual positions rarely exceeding 2.5%. Industry weights are normally limited to 20% and sector weights are typically within 5%-7% of the benchmark, though they may be higher. Positions are scaled to reflect market cap and trading volume. According to Jennison, their expected tracking error is 6%-8%, but historically it has been lower. They seek to add 3%-4% of excess return over a market cycle.

### [Mondrian Investment Partners – International Equity](#)

Mondrian is a value-oriented, defensive manager whose investment philosophy is based on the principle that investments must be evaluated for their fundamental long-term value. The firm's philosophy involves three stated investment objectives: 1) provide a rate of return meaningfully greater than the client's domestic rate of inflation, 2) structure client portfolios that preserve capital during protracted international market declines, and 3) provide portfolio performance that is less volatile than benchmark indices and other international managers. Mondrian applies typical value screening criteria to a universe of 1,500 stocks, from which 500 are selected for more detailed work. Through fundamental research, and the deliberations of the Investment Committee, the universe is further reduced to a list of 150 stocks. The investment team conducts detailed fundamental analysis on the remaining stocks, a process which includes applying the firm's dividend discount model consistently across all markets and industries. Mondrian also uses a purchasing power parity model to give an accurate currency comparison of the value of the stocks under consideration. The firm will only consider buying stocks in countries with good investor protection practices and relatively simple repatriation procedures. A computer based optimization program is employed in the portfolio construction process. Mondrian's portfolio holds 80-125 issues.

### [Pyramis Global Advisors – Broad Market Duration Commingled Pool](#)

Pyramis' Broad Market Duration (BMD) investment strategy seeks to achieve absolute and risk-adjusted returns in excess of the BC U.S. Aggregate Index, focusing its investments in US Treasuries, agencies, investment grade corporate bonds, mortgage-backed and asset-backed securities. The BMD commingled pool can also hold small, opportunistic positions in out-of-benchmark securities, such as inflation-linked bonds. The investable universe includes all US dollar denominated, investment grade debt securities. The BMD investment approach emphasizes issuer and sector valuation and individual security selection. Through the integration of fundamental and quantitative research and trading, the BMD strategy is implemented in a team environment. Risk management technology is utilized to explicitly quantify benchmark exposures on a daily basis, and Pyramis uses the same analytical framework to assess both index and portfolio risk. Tracking error should range between 40 and 60 basis points per annum over the benchmark, and stringent portfolio construction risk control rules are strictly adhered to.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [SSgA Global Multisector Plus – Commodities](#)

SSARIS operates the Multisource Commodity ("MAC") strategy. SSARIS is a joint venture between State Street Global Advisors ("SSgA") and the executive team of RXR Capital. SSgA owns 60% of the venture with the remaining 40% held by RXR Capital's executives. SSgA believes that the commodities markets are not fully efficient, and that a disciplined, quantitative investment process can identify and exploit futures contract mispricings. They believe in taking a small number of large active positions in order to capitalize on these mispricings in a timely manner, utilizing a systematic processes to evaluate commodity market prices, to process this information objectively, to build investment models, and to construct efficient portfolios. The strategy's three quantitative models each seek to capture distinct inefficiencies prevalent in the commodity markets: mean reversion, structural imbalances and price dislocations. Backwardation: This model establishes a medium-term view on individual commodity price movement by observing the futures prices associated with a particular commodity. Regime Switching: Price cycles for a given commodity market tend to be persistent in duration yet also change from time to time (and often quite abruptly). This model ascertains the most probable regime in which an individual commodity resides, how likely this regime is to change, and the expected short-term price impact for a given level of price change. Trend Following: This model uses an annual commodity market selection and risk budgeting process to set the universe of commodity markets to be traded. The selection process takes into account liquidity, volatility and prior period drawdowns. The top ranked markets will receive a larger share of risk capital relative to those that are selected, yet not as highly ranked. It then utilizes trend following and momentum algorithms that are based upon price series analysis ranging over time periods from several weeks to months to enter and exit specific markets.

### [T. Rowe Price – U.S. Structured Research Strategy](#)

T. Rowe Price believes that fundamental, bottom-up stock selection performed by specialized research analysts can produce more consistent alpha than quantitative approaches using computer models. T. Rowe Price's U.S. Structured Research Strategy is an enhanced index strategy that combines fundamental security selection with risk controls designed to neutralize sector and industry bets relative to the S&P 500 Index. As a low tracking error enhanced index strategy, U.S. Structured Research is relatively unusual in relying exclusively on fundamental analyst research and employing neither a quantitative model nor an optimization process. The portfolio is managed by 30+ sector analysts responsible for selecting stocks within their areas of expertise. Each analyst determines relative industry weights and timing of trades within their coverage universe. They seek to add value through deviations from index weights, stock avoidance, and selecting stocks not held in the index. The analysts' aggregate buy and sell decisions result in a 250- to 300-stock portfolio with industry-, sector-, style-, and capitalization-characteristics quite close to the benchmark. Relative to the S&P 500, sector exposures range +/- 150 basis points, industry exposures range +/- 100 basis points, and the maximum active position size will typically range +/- 100 basis points around the benchmark weight. For stocks representing more than 3% of the S&P 500 Index, active position sizes can range +/- 150 basis points.

### [Western Asset Management – U.S. Core Full Discretion](#)

Western Asset's investment philosophy has three key components. First, as sector rotators, the firm seeks out long term value by fundamentally analyzing all sectors of the fixed income market. Second, Western employs multiple strategies, proportioned so that no single adverse market event would have an overwhelming negative impact on performance. The third component of the investment philosophy is opportunistic trading. Western Asset adds value with opportunistic trades that attempt to exploit market inefficiencies. Non-US investment grade sovereigns, high yield and emerging market debt securities are used opportunistically in this approach. Western uses a team approach to portfolio management with duration, term structure, and sector allocation decisions developed by the Investment Strategy Group. The Research Group employs these determinations as they look for issues and issuers that are appropriate for the firm's eligible universe. Factors such as relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation are central to its inquiries. Throughout this process, the Portfolio Management Group provides both teams with a picture of key capital markets. The Portfolio Management Group is also responsible for portfolio structuring and implementation. The U.S. Core

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Policy Index History

### Total Plan Policy Benchmark

	As of:							
	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Russell 1000	27.0%	28.0%	37.0%	37.0%	40.0%	22.0%	20.0%	20.0%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
Russell 1000 Value	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	0.0%
Russell 2000	8.0%	7.0%	9.0%	9.0%	10.0%	15.0%	15.0%	15.0%
MSCI AC World ex-US	18.0%	18.0%	21.0%	21.0%	15.0%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
Barclays Aggregate	11.0%	12.9%	27.0%	27.0%	29.0%	25.0%	21.0%	21.0%
Barclays BBB	3.3%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Tips	3.3%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Multiverse	4.4%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Citigroup Non-US WGBI unhedged	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	9.0%	9.0%
NCREIF NFI ODCE EW	5.0%	5.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCREIF Property	0.0%	0.0%	0.0%	6.0%	6.0%	0.0%	0.0%	0.0%
10 YR Treasury plus 200 basis points	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	10.0%	10.0%
Russell 3000 + 300 basis points	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
60% Russell 3000/40% BC Aggregate	6.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Libor + 400 basis points	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dow Jones UBS Commodity	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	100%	100%	100%	100%	100%	100%	100%	100%

### Total Equity Benchmark

	As of:					
	10/1/2010	5/1/2007	6/1/2000	3/1/1999	9/1/1998	1/1/1996
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%
Russell 1000 Value	0.0%	0.0%	0.0%	8.0%	8.3%	0.0%
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%
MSCI AC World ex-US	34.0%	31.3%	23.1%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	32.3%	33.3%	33.3%
	100%	100%	100%	100%	100%	100%

### Domestic Equity Benchmark

	As of:					
	1/1/2011	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995
Russell 1000	77.00%	80.00%	52.00%	50.00%	50.00%	69.00%
S & P 500	0.00%	0.00%	0.00%	0.00%	12.50%	17.00%
Russell 1000 Value	0.00%	0.00%	12.00%	12.50%	0.00%	0.00%
Russell 2000	23.00%	20.00%	36.00%	37.50%	37.50%	14.00%
	100%	100%	100%	100%	100%	100%

### International Equity Benchmark

	As of:	
	6/1/2000	1/1/1996
MSCI AC World ex-US	100%	0%
MSCI EAFE	0%	100%

### Total Fixed Income Benchmark

	As of:				
	1/1/2011	10/1/2010	6/1/2000	3/1/1999	7/1/1996
Barclays Aggregate	50.00%	58.60%	100.00%	83.33%	70.00%
Barclays BBB	15.00%	7.30%	0.00%	0.00%	0.00%
Barclays Tips	15.00%	13.60%	0.00%	0.00%	0.00%
Barclays Multiverse	20.00%	20.50%	0.00%	0.00%	0.00%
Citigroup Non-US WGBI unhedged	0.00%	0.00%	0.00%	16.67%	30.00%
	100.0%	100.0%	100.0%	100.0%	100.0%

### Domestic Fixed Income Benchmark

	As of:		
	1/1/2011	10/1/2010	7/1/1996
Barclays Aggregate	62.40%	73.70%	100.00%
Barclays BBB	18.80%	9.10%	0.00%
Barclays Tips	18.80%	17.20%	0.00%
	100.0%	100.0%	100.0%

### International Fixed Income Benchmark

	As of:
	10/1/2010
Barclays Multiverse	100.00%

### SamCERA's Real Estate Benchmark

	As of:		
	1/1/2009	6/1/2000	7/1/1996
NCREIF NFI ODCE EW (Gross)	100%	0%	0%
NCREIF Property Index	0%	100%	0%
10 YR Treasury plus 200 basis points	0%	0%	100%

### Alternative Investment Benchmark

	As of:
	10/1/2010
Russell 3000 + 300 basis points	100%
60% Russell 3000/40% BC Aggregate	100%
Libor + 400 basis points	100%
Dow Jones UBS Commodity	100%

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Fee Schedules

### BlackRock-R1000 Index Fund

First \$1 million:	0.324% per annum
Next \$1 million:	0.288% per annum
Next \$3 million:	0.0865% per annum
Next \$45 million:	0.072% per annum
Next \$50 million:	0.0465% per annum
Balance of fund:	0.0215% per annum

Marginal pricing will apply. The Board receives the benefit of asset aggregation across funds when invested in more than one commingled fund. The Board pays the top of the fee schedules on the first fund, moving down the graduated fee structure for additional funds.

### Aberdeen Asset Management

First \$25 million:	0.38% per annum
Next \$100 million:	0.30% per annum
Next \$500 million:	0.20% per annum
Thereafter:	0.18% per annum

### Pyramis Global Advisors

First \$50 million:	0.20% per annum
Next \$100 million:	0.18% per annum
Next \$200 million:	0.10% per annum
Thereafter	0.09% per annum

### Chartwell Investment Partners

On all assets:	0.75% per annum
----------------	-----------------

### Jennison Associates

First \$50 million:	0.90% per annum
Next \$50 million:	0.70% per annum
Balance of fund:	0.60% per annum

### Artio Global Investors

First \$20 million:	0.80% per annum
Next \$20 million:	0.60% per annum
Next \$60 million:	0.50% per annum
Thereafter:	0.40% per annum

### Mondrian Investment Partners

First \$20 million:	1.00% per annum
Thereafter:	0.33% per annum
For Assets Over \$190 Million	
First \$50 million:	1.00% per annum
Next \$150 million:	0.19% per annum
Thereafter	0.33% per annum

Fees received by Delaware Mgmt. Co. for the DPT Emerging

Markets Fund in connection with SamCERA assets invested therein shall be deducted from the above schedule

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Fee Schedules

### Western Asset Management

First \$100 million:	0.30% per annum
Balance of fund:	0.15% per annum

### Barrow, Hanley, Mewhinney & Strauss

First \$15 million	0.75% per annum
Next \$10 million	0.55% per annum
Next \$75 million	0.45% per annum
Next \$100 million	0.35% per annum
Next \$800 million	0.25% per annum
Over \$1 billion	0.15% per annum

### T. Rowe Price Associates

First \$50 million	0.40% per annum
Next \$50 million	0.35% per annum
When assets exceed \$100 million	0.35% on all assets
When assets exceed \$200 million	0.30% on all assets

### The Boston Company Asset Management

First \$25 million	0.90% per annum
Thereafter:	0.80% per annum

### Angelo Gordon

0.20% per annum of the lesser of (a) US Treasury's Capital Commitment as of the last day of the period and (b) the US Treasury Interest Value as of the last day of the period.

Thereafter 0.30% per annum

### INVESCO

On Property Assets: 7.0% of NOI  
The property portfolio is on a performance basis.

### BlackRock Capital Management

First \$50 million	0.55% per annum
Next \$50 million	0.45% per annum
Next \$100 million	0.40% per annum
Thereafter:	0.30% per annum

### D.E. Shaw Investment Management

First \$100 million	0.51% per annum
Next \$100 million	0.46% per annum
Thereafter:	0.41% per annum

### Brown Brother Harriman

On All Assets: 0.15% per annum

### Brigade Capital Management

On All Assets: 0.80% per annum

### Franklin Templeton Investment

First \$50 million	0.45% per annum
Next \$50 million	0.35% per annum

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

## Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Fiscal YTD	One Year	Two Year	Three Year	Five Year
<b>US Equity - Large Cap</b>						
BlackRock-R1000 Index						
TOTAL - Total	11.85	-4.56	1.54	8.61	14.88	0.05
TOTAL - Net Mgr	11.84	-4.59	1.48	8.55	14.83	-0.01
RUSSELL 1000	11.84	-4.58	1.50	8.55	14.81	-0.02
DE Shaw						
TOTAL - Total	12.51	-4.24	1.80	7.80		
TOTAL - Net Mgr	12.36	-4.50	1.29	7.26		
RUSSELL 1000	11.84	-4.58	1.50	8.55		
T Rowe Price						
TOTAL - Total	11.72	-3.78	2.00	7.92		
TOTAL - Net Mgr	11.62	-3.96	1.63	7.52		
S&P 500	11.82	-3.69	2.11	8.39		
Barrow Hanley						
TOTAL - Total	13.70	-6.72	1.52	8.43		
TOTAL - Net Mgr	13.57	-6.94	1.06	7.94		
RUSSELL 1000 VALUE	13.11	-5.22	0.39	7.68		
BlackRock						
TOTAL - Total	7.36	-10.61	-8.16	5.15		
TOTAL - Net Mgr	7.23	-10.82	-8.59	4.65		
RUSSELL 1000 GROWTH	10.61	-3.92	2.64	9.45		
<b>US Equity - Small Cap</b>						
Jennison						
TOTAL - Total	15.28	-8.33	-0.15	14.54	21.14	
TOTAL - Net Mgr	15.04	-8.73	-0.96	13.74	20.23	
RUSSELL 2000	15.47	-9.77	-4.18	10.25	15.62	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

## Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Fiscal YTD	One Year	Two Year	Three Year	Five Year
<b>The Boston Co</b>						
TOTAL - Total	20.12	-4.03	-0.86	9.16		
TOTAL - Net Mgr	19.87	-4.45	-1.72	8.22		
RUSSELL 2000 VALUE	15.97	-8.94	-5.50	8.47		
<b>Chartwell</b>						
TOTAL - Total	18.95	-7.12	4.42	16.89	22.31	2.61
TOTAL - Net Mgr	18.72	-7.49	3.62	16.02	21.42	1.84
RUSSELL 2000 GROWTH	14.99	-10.59	-2.91	11.95	19.00	2.09
<b>International Equity</b>						
<b>Artio</b>						
TOTAL - Total	2.42	-21.00	-19.57	-6.58	2.95	-6.82
TOTAL - Net Mgr	2.28	-21.21	-19.99	-7.05	2.44	-7.28
MSCI ACWI ex US Growth (Gross)	4.16	-16.79	-13.93	-0.60	11.21	-1.84
<b>Mondrian</b>						
TOTAL - Total	4.39	-10.89	-4.79	0.21	8.98	-2.01
TOTAL - Net Mgr	4.34	-10.98	-4.93	0.02	8.74	-2.25
MSCI ACWI EX US VALUE (GROSS)	3.40	-16.72	-12.71	-2.72	11.16	-3.17
<b>Fixed Income</b>						
<b>Aberdeen</b>						
TOTAL - Total	1.55	4.31	8.05	9.18	12.10	4.74
TOTAL - Net Mgr	1.48	4.16	7.75	8.89	11.80	4.47
BC AGGREGATE	1.12	4.98	7.84	7.19	6.77	6.50
<b>Pyramis</b>						
TOTAL - Total	1.32	4.35	7.94	8.45	11.27	6.73
TOTAL - Net Mgr	1.27	4.26	7.74	8.27	11.08	6.56
BC AGGREGATE	1.12	4.98	7.84	7.19	6.77	6.50



## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

### Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Fiscal YTD	One Year	Two Year	Three Year	Five Year
Western Asset						
TOTAL - Total	1.39	3.72	7.50	9.36	12.41	6.30
TOTAL - Net Mgr	1.32	3.57	7.19	9.07	12.12	6.04
BC AGGREGATE	1.12	4.98	7.84	7.19	6.77	6.50
AG GECC						
TOTAL - Total	1.58	-10.23	-9.26	12.97		
TOTAL - Net Mgr	1.58	-10.23	-9.26	12.97		
Brigade Capital Mgmt.						
TOTAL - Total	3.32	0.12	6.04			
TOTAL - Net Mgr	3.19	-0.22	5.36			
BC BAA CREDIT	2.71	5.19	9.48			
Brown Brothers Harriman						
TOTAL - Total	2.68	7.92	14.16			
TOTAL - Net Mgr	2.64	7.85	13.99			
BC GLOBAL INFLATION LINKED: U.S. TIPS	2.69	7.32	13.56			
Franklin Templeton Investments						
TOTAL - Total	1.78	-6.86	-1.25			
TOTAL - Net Mgr	1.68	-7.05	-1.64			
BC MULTIVERSE	0.40	1.06	5.55			
Real Estate						
Invesco RE						
TOTAL - Total	3.11	5.30	16.91	16.80	-2.57	0.07
TOTAL - Net Mgr	3.01	5.07	16.38	16.22	-3.08	-0.43
NCREIF NFI ODCE EW (Gross)	3.02	6.60	15.96	16.05	-2.26	-0.57
Private Equity						
Private Equity						

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending December 31, 2011

### Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Fiscal YTD	One Year	Two Year	Three Year	Five Year
TOTAL - Total	-8.83	-13.91	-86.42			
TOTAL - Net Mgr	-8.83	-13.91	-86.42			
Private Eq Index	12.92	-3.58	4.06			
Risk Parity						
AQR Global Risk Fund III						
TOTAL - Total	4.78	0.08				
TOTAL - Net Mgr	4.67	-0.12				
Risk Parity Index	7.73	-0.81				
Hedge Fund						
AQR Delta Fund II						
TOTAL - Total	2.54	-2.40				
TOTAL - Net Mgr	2.29	-2.88				
Hedge Fund Index	1.05	2.11				
Commodity						
SSgA Multisource Account						
TOTAL - Total	-1.63					
TOTAL - Net Mgr	-1.74					
Commodities Index	0.34					

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Manager Compliance Checklist

MANAGER	INDEX OUTPERFORMANCE						DATABASE BENCHMARK			MANAGER MEETING INVESTMENT PERFORMANCE EXPECTATIONS
	AFTER FEE VS. INDEX		BEFORE FEE VS. INDEX		RISK ADJUSTED (SHARPE RATIO)		MEDIAN			
	3 YEARS	5 YEARS	3 YEARS	5 YEARS	3 YEARS	5 YEARS	2 YEARS	3 YEARS	5 YEARS	
<b>BLACKROCK- R1000 INDEX FUND</b> Benchmark: R1000 Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<b>CHARTWELL</b> Benchmark: R2000 Index	YES	YES	YES	NO	YES	YES	YES	YES	NO	NO
<b>JENNISON</b> Benchmark: R2000 Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
<b>ARTIO GLOBAL</b> Benchmark: MSCI ACWI -ex US Index	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
<b>MONDRIAN</b> Benchmark: MSCI ACWI -ex US Index	NO	YES	NO	YES	YES	YES	YES	NO	YES	YES
<b>ABERDEEN ASSET</b> Benchmark: BC Aggregate	YES	NO	YES	NO	YES	NO	YES	YES	NO	NO
<b>PYRAMIS GLOBAL ADVISORS</b> Benchmark: BC Aggregate	YES	YES	YES	YES	YES	NO	YES	YES	NO	YES
<b>WESTERN ASSET</b> Benchmark: BC Aggregate	YES	NO	YES	NO	YES	NO	YES	YES	NO	YES
<b>INVESCO REAL ESTATE</b> Benchmark: NCREIF Property Index	NO	NO	NO	NO	N/A	N/A	YES	YES	YES	YES

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Manager Performance Comparison

	Oct	Nov	Dec	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference	2nd Qtr. 2011	Difference	1st Qtr. 2011	Difference
SIS	11.21%	-0.26%	0.84%	11.85%		-14.75%		0.13%		6.25%	
BlackRock-R1000 Fund	11.21%	-0.26%	0.84%	11.85%	0.00%	-14.75%	0.00%	0.13%	0.00%	6.25%	0.00%
Russell 1000 Index	11.21%	-0.26%	0.84%	11.85%		-14.68%		0.12%		6.24%	
SIS	10.97%	0.15%	1.24%	12.51%		-14.88%		1.02%		5.25%	
D.E. Shaw	10.97%	0.15%	1.23%	12.50%	0.01%	-14.89%	0.00%	1.02%	0.00%	5.26%	0.00%
Russell 1000 Index	11.21%	-0.26%	0.84%	11.85%		-14.68%		0.12%		6.24%	
SIS	11.24%	-0.43%	0.86%	11.71%		-13.88%		0.18%		5.82%	
T. Rowe Price	11.24%	-0.43%	0.86%	11.70%	0.01%	-13.89%	0.01%	0.17%	0.01%	5.81%	0.01%
S&P 500 Index	10.93%	-0.22%	1.02%	11.81%		-13.86%		0.10%		5.92%	
SIS	12.12%	0.04%	1.37%	13.70%		-17.96%		1.03%		7.72%	
Barrow Hanley	12.12%	0.03%	1.38%	13.70%	0.00%	-18.00%	0.04%	1.05%	-0.01%	7.72%	0.00%
Russell 1000 Value Index	11.45%	-0.52%	2.02%	13.11%		-16.21%		-0.51%		6.46%	
SIS	10.59%	-1.82%	-1.13%	7.35%		-10.44%		-1.60%		4.40%	
BlackRock	10.59%	-1.82%	-1.13%	7.35%	0.00%	-10.44%	0.00%	-1.60%	0.00%	4.40%	0.00%
Russell 1000 Growth Index	10.97%	-0.01%	-0.32%	10.60%		-13.14%		0.76%		6.03%	
SIS	15.05%	1.72%	-1.49%	15.29%		-20.48%		-0.20%		9.15%	
Jennison	15.05%	1.78%	-1.55%	15.28%	0.00%	-20.48%	0.00%	-0.10%	-0.10%	9.16%	-0.02%
Russell 2000 Index	15.14%	-0.36%	0.66%	15.48%		-21.86%		-1.61%		7.94%	
SIS	15.66%	2.06%	1.76%	20.12%		-20.10%		-4.09%		7.71%	
The Boston Company	15.66%	2.06%	1.76%	20.11%	0.01%	-20.11%	0.02%	-4.10%	0.01%	7.69%	0.02%
Russell 2000 Value Index	14.41%	-0.20%	1.57%	15.97%		-21.47%		-2.65%		6.60%	
SIS	17.08%	1.73%	-0.13%	18.95%		-21.92%		-1.46%		14.11%	
Chartwell	17.08%	1.73%	-0.13%	18.95%	0.00%	-21.92%	0.00%	-1.44%	-0.02%	14.09%	0.02%
Russell 2000 Growth Index	15.86%	-0.53%	-0.22%	14.99%		-22.26%		-0.59%		9.24%	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Manager Performance Comparison

	Oct	Nov	Dec	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference	2nd Qtr. 2011	Difference	2nd Qtr. 2011	Difference
SIS	10.82%	-5.03%	-2.68%	2.43%		-22.86%		-0.38%		2.19%	
Artio Global	10.86%	-4.84%	-2.63%	2.72%	-0.29%	-22.83%	-0.03%	-0.35%	-0.03%	2.03%	0.16%
MSCI ACWI -ex US Growth Index	11.13%	-4.76%	-1.60%	4.15%		-20.11%		1.06%		2.35%	
SIS	8.77%	-3.32%	-0.73%	4.39%		-14.64%		2.94%		3.79%	
Mondrian	8.85%	-3.39%	-0.75%	4.37%	0.02%	-14.62%	-0.01%	2.89%	0.05%	3.79%	-0.01%
MSCI ACWI -ex US Value Index	9.96%	-5.41%	-0.60%	3.39%		-19.46%		0.15%		4.65%	
SIS	0.43%	-0.18%	1.30%	1.55%		2.71%		2.03%		1.53%	
Aberdeen Asset	0.43%	-0.18%	1.30%	1.55%	0.00%	2.71%	0.00%	2.02%	0.01%	1.57%	-0.04%
BC Aggregate Index	0.11%	-0.09%	1.10%	1.12%		3.83%		2.30%		0.42%	
SIS	-0.48%	-0.04%	2.11%	1.58%		-11.62%		-4.30%		5.61%	
AG PPI Fund	-0.48%	-0.04%	2.11%	1.58%	0.00%	-11.62%	0.00%	-4.30%	0.00%	5.61%	0.00%
BC Aggregate Index	0.11%	-0.09%	1.10%	1.12%		3.83%		2.30%		0.42%	
SIS	0.35%	-0.32%	1.29%	1.32%		3.00%		2.39%		1.03%	
Pyramis	0.35%	-0.32%	1.29%	1.32%	0.00%	3.00%	0.00%	2.39%	0.00%	1.02%	0.01%
BC Aggregate Index	0.11%	-0.09%	1.10%	1.12%		3.83%		2.30%		0.42%	
SIS	2.76%	-0.79%	1.35%	3.32%		-3.11%		1.49%		4.36%	
Brigade Capital	2.98%	-0.79%	1.33%	3.53%	-0.20%	-3.35%	0.24%	1.44%	0.05%	4.19%	0.17%
BC BBB Credit	2.26%	-1.75%	2.23%	2.71%		2.42%		2.73%		1.30%	
SIS	1.68%	0.87%	0.11%	2.68%		5.11%		3.71%		1.99%	
Brown Brothers Harriman	1.68%	0.87%	0.09%	2.66%	0.02%	5.09%	0.01%	3.72%	-0.01%	1.99%	0.00%
BC U.S Tips	1.86%	0.77%	4.00%	6.75%		4.51%		3.66%		2.06%	
SIS	0.69%	-0.62%	1.33%	1.40%		2.30%		2.22%		1.40%	
Western Asset	0.71%	-0.56%	1.43%	1.58%	-0.18%	2.15%	0.15%	2.18%	0.03%	1.52%	-0.12%
BC Aggregate Index	0.11%	-0.09%	1.10%	1.12%		3.83%		2.30%		0.42%	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of December 31, 2011

## Manager Performance Comparison

	Oct	Nov	Dec	4th Qtr. 2011	Difference	3rd Qtr. 2011	Difference	2nd Qtr. 2011	Difference	2nd Qtr. 2011	Difference
SIS	6.49%	-5.03%	0.64%	1.78%		-8.49%		2.68%		3.26%	
Franklin Templeton Investments	6.39%	-4.79%	0.53%	1.83%	-0.05%	-8.42%	-0.07%	2.82%	-0.14%	3.20%	0.06%
BC Multiverse	1.51%	-1.79%	0.72%	0.41%		0.66%		3.04%		1.37%	
SIS				3.11%		2.12%		6.93%		3.83%	
INVESCO Real Estate				3.11%	0.00%	2.12%	0.00%	6.93%	0.00%	3.83%	0.00%
NCREIF NFI ODCE EW Index				3.02%		3.48%		4.58%		4.01%	
SIS	4.05%	-1.19%	1.91%	4.78%		-4.48%		0.03449			
AQR Global Risk Premium III (Net)	4.02%	-1.22%	1.87%	4.67%	0.10%	-4.58%	0.09%	0.03357	0.0009		
40% R3000/ 60% BC Agg	6.95%	-0.20%	0.93%	7.73%		-7.93%		0.00911			
SIS	1.82%	1.18%	-0.46%	2.55%		-4.82%					
AQR Delta Fund II (Net)	1.73%	1.10%	-0.54%	2.29%	0.25%	2.35%	-7.17%				
Libor + 4%	0.35%	0.35%	0.35%	1.05%		1.04%					
SIS	3.46%	-2.08%	-2.90%	-1.63%							
SSgA Multisource Commodity	3.46%	-2.08%	-2.90%	-1.63%	0.00%						
DJ UBS Commodity	6.62%	-2.22%	-3.75%	0.34%							

## MARKET SUMMARY

### Equity Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
S&P 500	11.8	2.1	14.1
Dow Jones Industrial Average	12.8	8.4	14.9
NASDAQ Composite	7.9	-1.8	18.2
Russell 1000	11.8	1.5	14.8
Russell 2000	15.5	-4.2	15.6
Russell 3000	12.1	1.0	14.9
MSCI EAFE (Net)	3.3	-12.1	7.6
MSCI Emerging Markets (Net)	4.4	-18.4	20.1
MSCI All Country World ex US	3.7	-13.7	10.7

### Bond Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
Barclays Capital Aggregate	1.1	7.8	6.8
Barclays Capital Gov/Credit	1.2	8.7	6.6
Barclays Capital Universal	1.4	7.4	7.7
Barclays Capital Corp. High Yield	6.5	5.0	24.1
CG Non-US World Govt.	-0.5	5.2	4.9

### Non-Public Markets

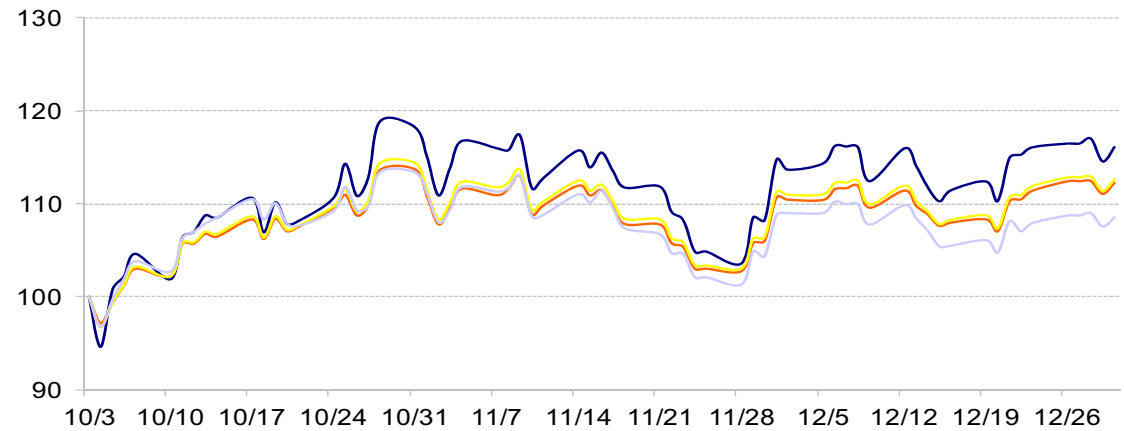
*lagged quarterly*

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property	3.3	16.1	-1.5
State Street Private Equity Index	-6.0	11.6	4.2

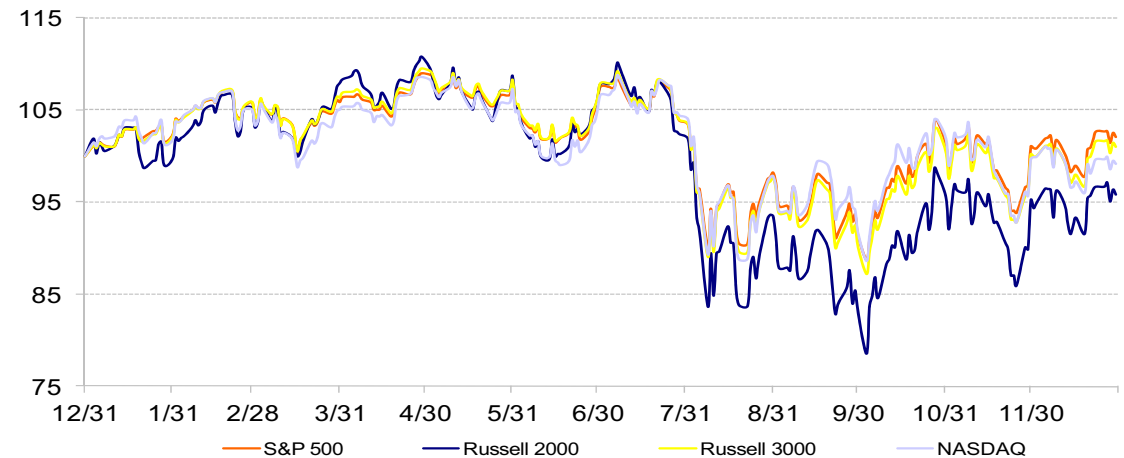
## US Equity Market

- US equities generated double-digit returns in the fourth quarter on the back of improving growth and employment metrics except the NASDAQ, which lagged at 7.9 percent. Despite the recovery in the fourth quarter, annual returns for US equity indices remained tepid, with the Russell 2000 and the NASDAQ losing 4.2 percent and 1.8 percent respectively.
- Blue chip stocks of the Dow Jones Industrial Average continued to outperform the S&P 500, NASDAQ and Russell indices in aggregate, posting 8.4 percent for the past year.

### Equity Index – Quarterly Growth Rate



### Equity Index – 1-Year Growth Rate

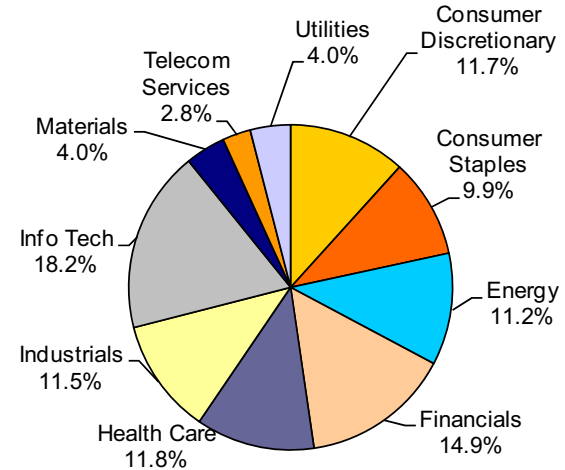


**DOMESTIC MARKETS**

**Domestic Equity – Russell 3000**

- The fourth quarter of 2011 witnessed an equity rebound across sectors. Telecom services, materials, consumer discretionary and financials sectors all outperformed the aggregate index.
- Information technology and health care ended 2011 with the highest returns on the back of earnings stability, while softening commodity prices and moribund consumer sentiment contributed to the overall negative performance of materials, consumer discretionary and utilities sectors in 2011.
- Equity valuations in the fourth quarter were slightly richer relative to longer term trends, with the aggregate market price-to-earnings ratio recording above its trailing five-year average of 17.21.

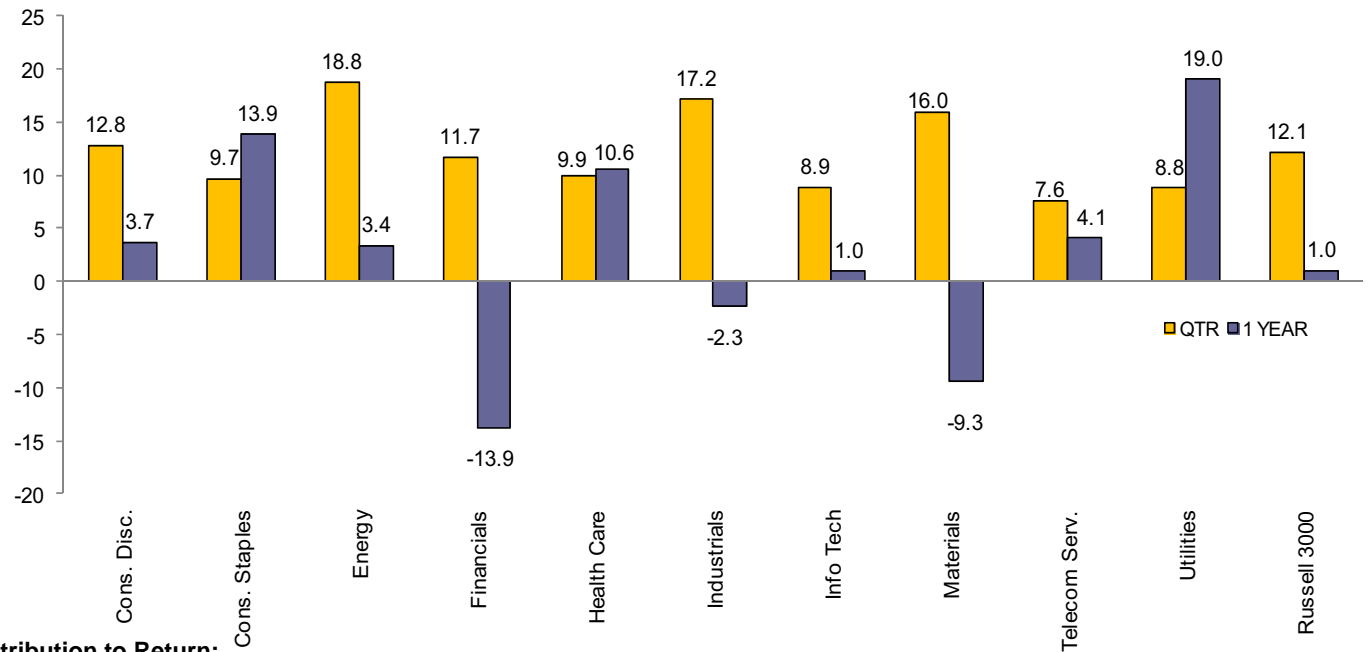
**Ending Sector Weights**



**Characteristics**

Div Yield (%)	2.05
P/B Ratio	3.29
P/E Ratio	18.15
Forward P/E Ratio	12.41
Fundamental Beta	1.05
Market Cap - Cap Wtd (MM\$)	78,077

**Sector Returns (%)**



**Contribution to Return:**

Qtr	1.5	1.0	2.0	1.8	1.2	1.9	1.7	0.6	0.2	0.4	12.1
1 Year	0.4	1.3	0.4	-2.3	1.2	-0.3	0.2	-0.4	0.1	0.6	1.0

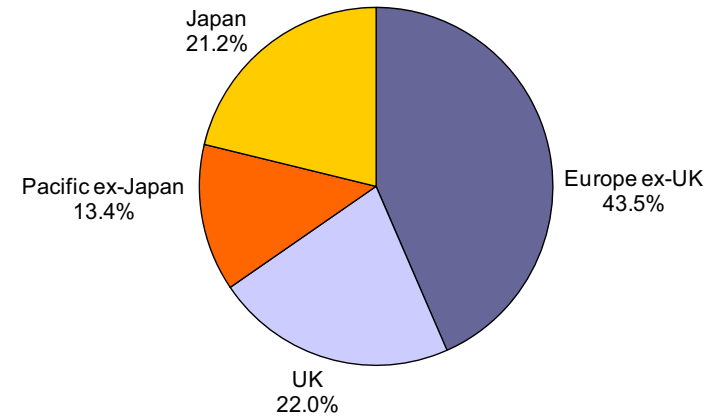


**INTERNATIONAL MARKETS**

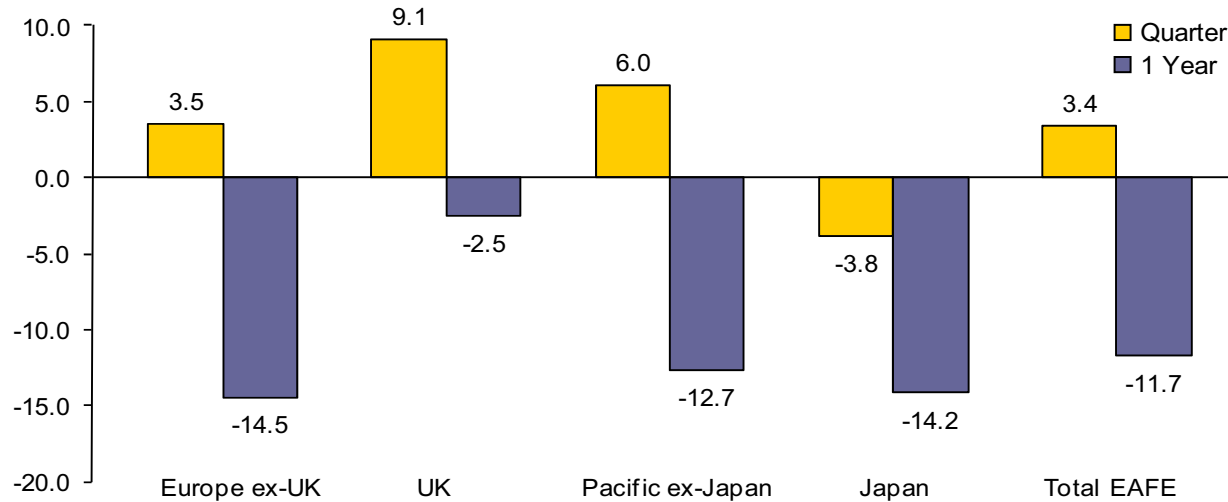
**Developed Equity – MSCI EAFE (Net)**

- Investors seemed to respond positively to the latest policy moves from major central banks. A majority of developed equity indices gained ground in the fourth quarter. The MSCI EAFE index added 3.4 percent in the fourth quarter, reversing most of the losses sustained in Q3. However, the index ended the year with an 11.7 percent deficit.
- Regionally, the UK took the lead, gaining 9.1 percent in the fourth quarter as more resilient earnings expectations relative to its peers increased demand for domestic equities.
- Despite the central bank’s efforts to weaken its currency, the yen still strengthened in the fourth quarter, resulting in continued pressure on exports against a weaker global growth backdrop. Given the historically high correlation between earnings and exports in Japan, investors continue to shun Japanese stock, pushing the regional index 3.8 percent lower in the fourth quarter.

**Ending Regional Weights**



**Regional Returns (%)**



**Contribution to Return:**

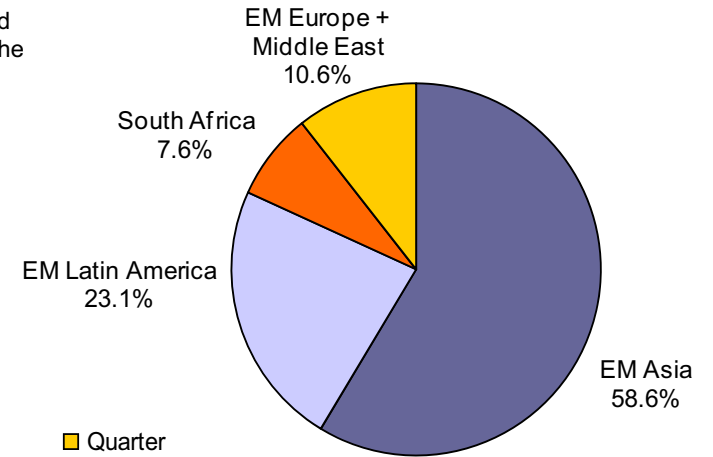
Qtr	1.4	2.1	0.8	-0.8	3.4
1 Yr	-6.0	-0.6	-1.7	-3.1	-11.7

**INTERNATIONAL MARKETS**

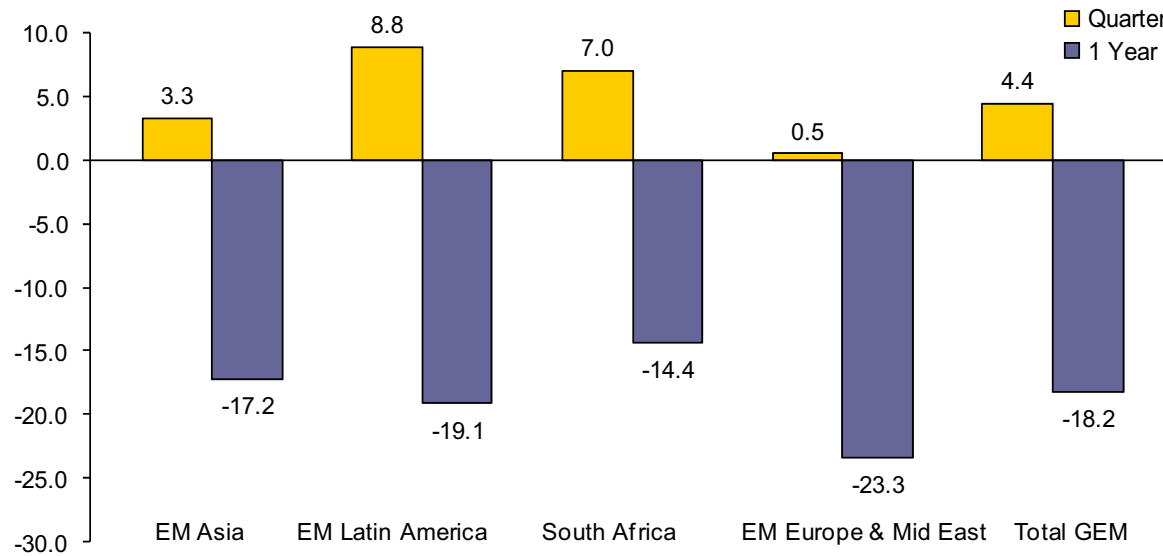
**Emerging Markets Equity – MSCI EM (Net)**

- Similar to its developed market peers, emerging markets saw equity indices rebounding across the board in the fourth quarter as more accommodative policies regionally helped firm investment appetite. While the MSCI EM index rose 4.4 percent in the last quarter, it ended the year with a loss of 18.2 percent.
- Latin America was widely anticipated to lead the path into easier monetary conditions for emerging markets as inflation forecasts moderated. That expectation and a relatively upbeat growth projection served as key catalysts to an 8.8 percent equity bounce in the fourth quarter.
- As a more defensive emerging equity market, South Africa held up relatively well compared to its peers, outperforming MSCI EM by close to 4 percent in 2011. Accommodative monetary conditions in South Africa helped underpin domestic demand and support growth.

**Ending Regional Weights**



**Regional Returns (%)**



**Contribution to Return:**

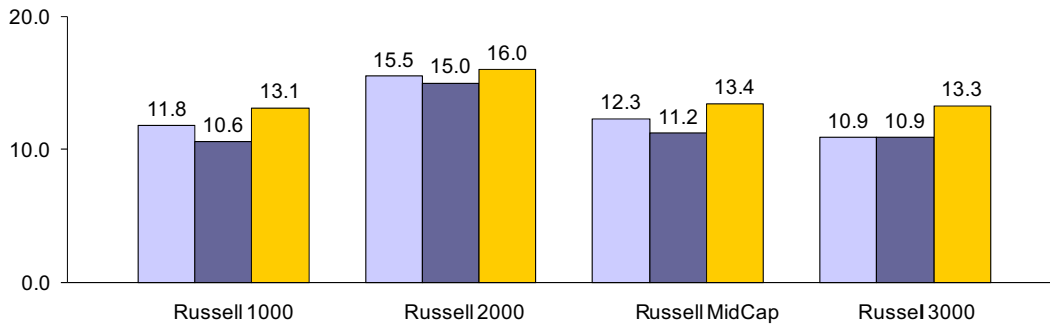
Qtr	1.9	2.0	0.6	0.0	4.4
1 Yr	-10.2	-4.4	-1.1	-2.2	-18.2

**STYLE & CAPITALIZATION**

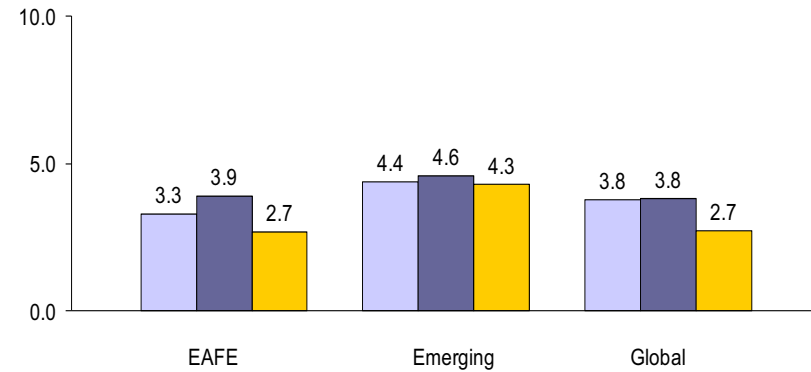
## Style & Capitalization Returns

- The outperformance of US small-cap stocks in the fourth quarter came as little surprise as aforementioned progress in Europe and US improved appetite for a range of higher beta assets. However, over the course of 2011, US large-caps outperformed both mid- and small-cap stocks, leading to a differential in returns of close to 6 percent between large and small value stocks.
- Non-US stocks embraced a similarly rosy fourth quarter across the style spectrum. However, lingering inflation concerns in many emerging markets and policy credibility issues continue to weigh on investment preferences. In fact, US all-cap stocks outperformed emerging market stocks in the fourth quarter by approximately 8 percent on aggregate across styles.

**Russell US Style Returns (%) – Quarter**



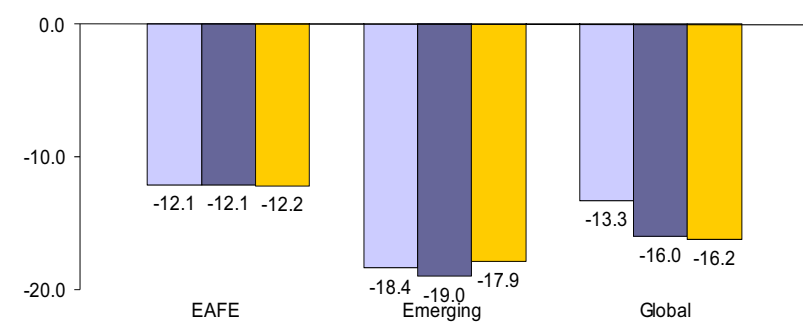
**MSCI Non-US Style Returns (%) – Quarter**



**Russell US Style Returns (%) – 1 Year**



**MSCI Non-US Style Returns (%) – 1 Year**



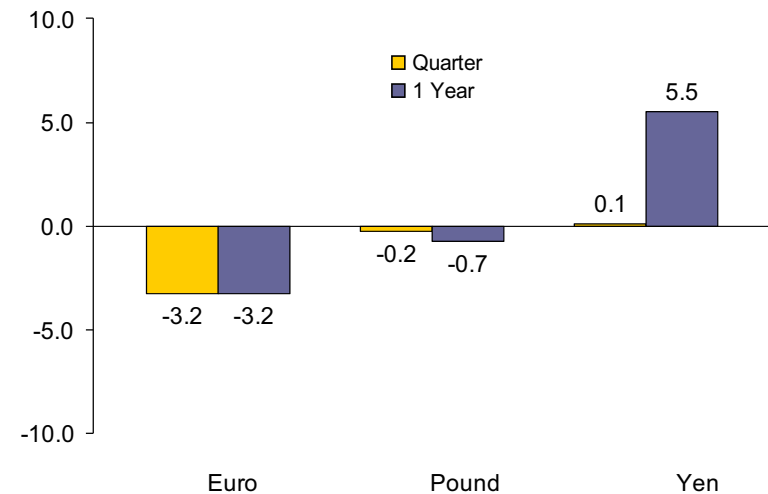
□ Neutral   ■ Growth   ■ Value

## CURRENCY AND BOND MARKETS

### Currency Markets

- The fiscal crisis in peripheral Europe and accompanying fragile economic outlook continued to weigh on the euro, which ended the year as the worst performer amongst G10 currencies. While the ECB's Long Term Refinancing Operations sparked sizable demand and a consequent improvement in the outlook for European bank liquidity, it also contributed to a weaker euro.
- Despite government interventions to weaken the currency, the yen barely budged in the fourth quarter. While the US dollar is typically a highly sought-after safe haven currency during crisis, the yen stood out as the only currency in G10 to have appreciated against the dollar in 2011, strengthening 5.5 percent for the year.
- Plagued by uncertainties in the Eurozone and expectations of increased quantitative easing, the pound received tepid endorsement, ending the year 0.7 percent weaker against the dollar.

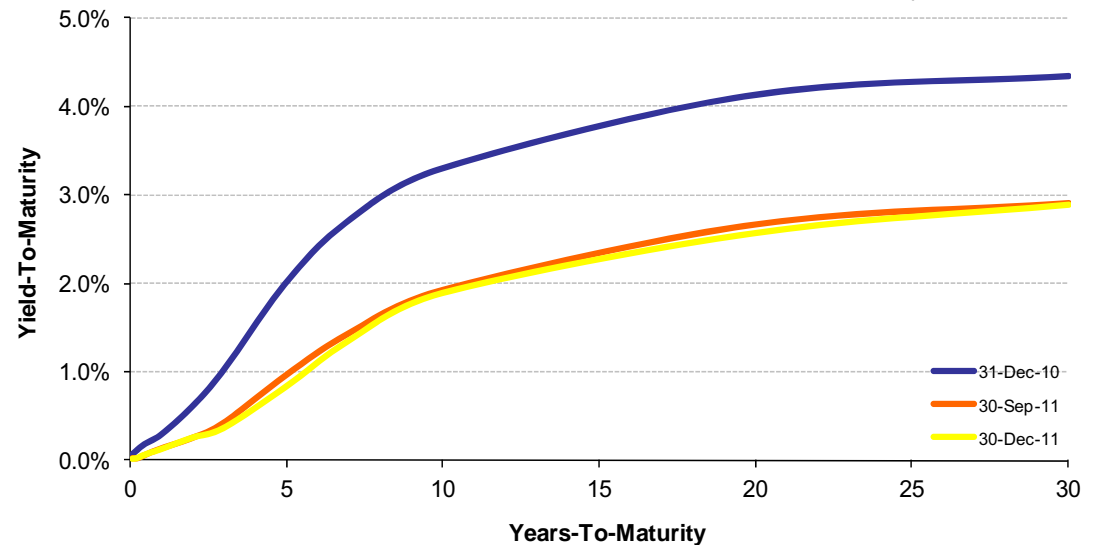
Currency Returns (%)



### Yield Curve

- The final quarter in 2011 saw some glimmers of optimism from the US and the Europe. Employment conditions and growth data improved gradually in the US, while the dollar swap announcement and the ECB's policy responses managed to arrest contagion within the Eurozone. However, investors remained cautious and defensive—illustrated by the US yield curve, which barely moved in the fourth quarter—adopting a continued cautious stance.

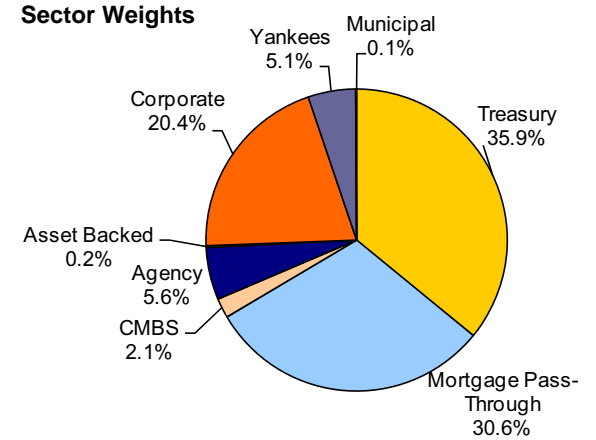
INTEREST RATE TERM STRUCTURE  
Government Issues - 3 Months to 30 Years Maturity



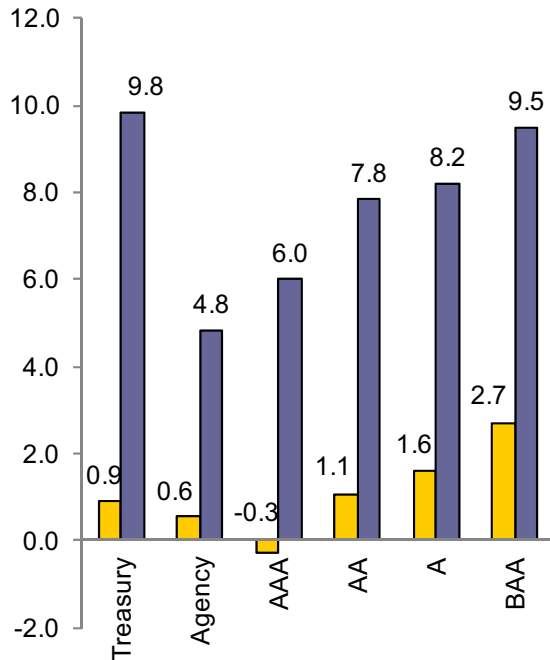
**BOND MARKETS**

# US Bond Market Returns – Barclays Capital Aggregate

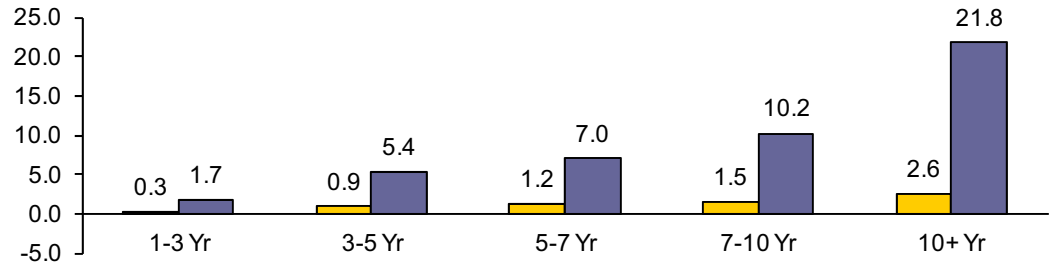
- Amid market uncertainty, bond markets remained in favor, with the Barclays Capital Aggregate gaining another 1.1 percent in the fourth quarter, closing the year with a gain of almost 8 percent. Interestingly, within investable grade bonds, those rated BAA outperformed their higher-quality peers for the year, posting a return of 2.7 percent in the quarter and 9.5 percent in 2011.
- Sector-wise, CMBS, benefiting from tighter spreads and indications of slowing loan default rates, performed the best, posting a 3 percent return in the fourth quarter. Investment-grade corporate bonds also provided attractive returns as compared to treasury yields, which touched all-time lows while municipal bonds ended the year the best performer yielding 20.3%.
- Longer duration instruments, particularly in the over-10-year duration category, continued to provide attractive returns this quarter, recording a 2.6 percent gain and a stellar total return of 21.8 percent in 2011.



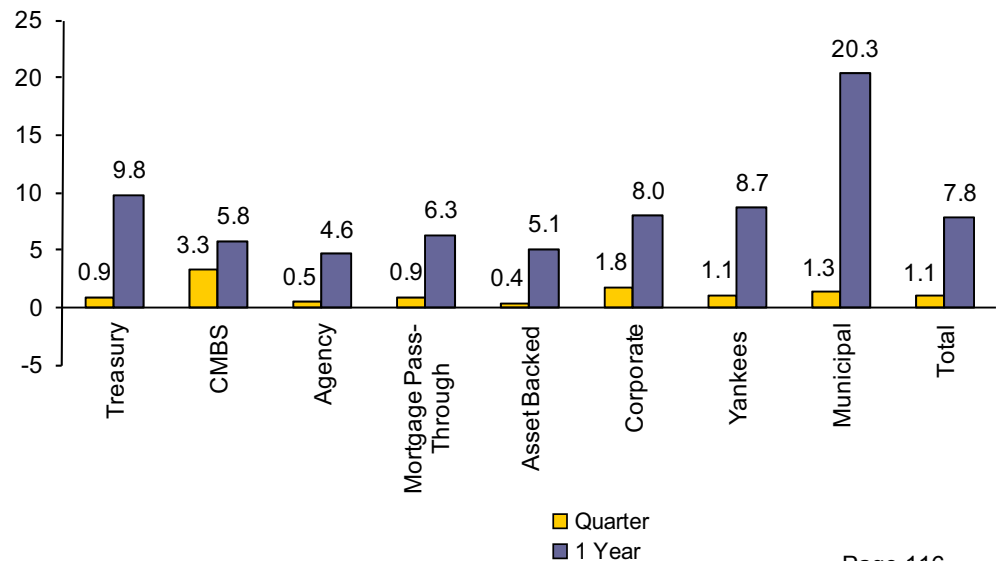
**Quality Performance (%)**



**Duration Performance (%)**



**Sector Performance (%)**



## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
91 Day T-Bill	Index	Composed of 91 day term treasury bills issued by the U.S. Government. Typically used as a benchmark for short-term investments.
Active Management Value Added	Equity	The value added to a portfolio by active management over a passive index investment. In equity performance attribution, it refers to the difference between the equity only and buy & hold return, representing the value added to the equity portfolio from the transactions occurring during the quarter.
Active Return	General	The difference between the manager's return and the benchmark's return. The active return reflects the manager's added value over the benchmark.
Allocation Index	General	Illustrates how the fund's actual asset allocation would have performed if it were invested in passive indices. The prior month's actual asset allocation from the composite fund is multiplied by the index returns for each manager's benchmark on a monthly basis to obtain the allocation index return for the quarter.
Alpha	General	The difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.
Annualized Rate of Return	General	The constant return needed each year of the period in question to provide the amount of wealth gained by the end of the period.
Average Market Capitalization	Equity	The position weighted average of all the securities' market capitalizations in the portfolio.
Average Life	Fixed Income	Market value-weighted average time to stated maturity for all securities in the portfolio.
Beta	Equity	The sensitivity of the rate of return of a portfolio or security to market fluctuations. A beta of .95 means that on average when the market moves X%, the portfolio (or security) will move X% * .95.
Buy & Hold Return	Equity	The return on the portfolio assuming the equity positions which were held at the beginning of the quarter were held throughout the quarter.
Citigroup Non-US World Gov't Bond Index	Index	This index is market value weighted and composed of the available market for domestic Government bonds in nine countries. It includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of US \$25 million.
Composite Fund	General	A composite consisting of all of the plan's portfolios. Returns are calculated by aggregating each manager's market value and transactions.
Core Fixed Income Manager	Fixed Income	Core fixed income managers have a duration ranging from 80-120% of the Barclays Aggregate and focus on sector or individual bond selection to create portfolios.

## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
Core Equity Managers	Equity	Core equity managers buy a mixture of value and growth stocks, without any strong style biases apparent. The most common benchmark is the S&P 500 Index.
Corporate Plan Universe	General	A total plan universe comprised of all Corporate Defined Benefit and VEBA plans in the ICC database. There are approximately 400 plans in this universe.
Country Selection	International	The excess performance that can be attributed to country allocation decisions.
Current Coupon	Fixed Income	Current annual income generated by the total portfolio.
Domestic Equity Composite	General	A composite consisting of all the fund's equity portfolios with U.S. equity mandates. Returns are calculated by aggregating each manager's market value and transactions.
Domestic Fixed Composite	General	A composite consisting of all the fund's fixed income portfolios with U.S. fixed income mandates. Returns are calculated by aggregating each manager's market value and transactions.
Duration	Fixed Income	A measure of a bond or bond portfolio's responsiveness to changes in interest rates, determined by the size and timing of future cash flows (interest, principal, and pre-payment of principal).
Endowment/Foundation Universe	General	A total plan universe comprised of all Endowment and Foundations in the ICC database. There are approximately 270 plans in this universe.
Equity Only Return	Equity	The total return of the equity positions in the portfolio.
Equity Segment Yield	Equity	The dividend yield of the entire equity portfolio.
Explicit Currency	International	The portion of the international portfolio performance attribution due to intentional currency hedging.
Five Year Earnings Growth	Equity	Represents the smoothed earnings growth rate of a firm (or portfolio) over the past 20 quarters.
Growth Equity Managers	Equity	Growth managers buy companies that are expected to have above average long-term growth earnings relative to the price of the stock. These stocks are usually selling at high price/book, high price/earning ratios.
High Yield Fixed Income Manager	Fixed Income	High yield managers invest in lower quality, higher yielding issues; generally companies who are experiencing financial difficulty or have limited financing means.
ICC	General	The State Street Bank/Independent Consultants Cooperative is formed by State Street Bank (formerly Deutsche Bank) and twelve independent consulting firms. As a member of the SSB/ICC, SIS uses the SSB/ICC software and database to provide performance measurement and analytical service to plan sponsors.
Implicit Currency	International	The portion of the international portfolio performance attribution due to the currency implicit in the country allocation compared to the benchmark's currency allocation.
Interest Rate Anticipator Fixed Income Manager	Fixed Income	Interest rate anticipators attempt to add value primarily through interest rate forecasting and adjusting the duration of the portfolio to respond favorably to the expected change in interest rates.

## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
Intermediate Fixed Income Manager	Fixed Income	Intermediate fixed income managers invest in high quality issues with a duration that is 40-80% of the Barclays Aggregate.
International Equity Composite	International	A composite consists of all the fund's international equity managers. Returns are weighted by each manager's market value within the fund.
Barclays Aggregate Index	Index	Measures the total return of all major sectors of the domestic, taxable bond market (approx. 5400 fixed income securities). The index contains all the investment grade issues in the Barclays Capital Government/Corporate and the Barclays Capital Mortgage-Backed Securities Indexes.
Barclays Government/Credit Index	Index	A composite index consisting of all publicly issued, fixed rate, non-convertible, domestic debt of the U.S. government and domestic debt of the three major corporate classifications. The index is market capitalization weighted, and mortgages are excluded.
Long Fixed Income Manager	Fixed Income	Managers with portfolios having a duration greater than 120% of the Barclays Aggregate Bond Index.
Market Value	Equity	What the market is willing to pay for a specific amount of a security (or portfolio of securities). This is determined by multiplying the latest price of each stock (or bond) by the number of shares held.
Maturity - Return Decomposition	Fixed Income	Represents the amount of active return due to the spreads of different maturities of the same issue.
Median	General	Represents the fund (or manager) where half the universe has a higher return than the fund (or manager), and half has lower returns. By definition the median is the 50th percentile.
MSCI All Country World Index (ACWI) -ex US	Index	Composed of stocks of major non-US companies within the developed markets of Europe and Asia, 10% of the index is emerging markets. This index excludes all US issues.
MSCI EAFE	Index	Composed of approximately the top 60% of market capitalization of the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is market capitalization weighted using U.S. dollars.
NCREIF (National Council of Real Estate Investment Fiduciaries National Property index)	Index	Composed of 2,231 investment grade, non-agricultural properties, including wholly-owned and joint venture investment of existing properties. All properties have been acquired on behalf of tax-exempt institutions and are held in a fiduciary environment.
Price/Earnings Ratio	Equity	The dollar price of a company divided by annual earnings per common share. The P/E ratio reflects the anticipated future earnings growth and is market capitalization weighted.
Policy Index	General	Represents the fund's asset allocation policy. Returns are calculated using index returns weighted by policy allocations.



## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
Price/Book Ratio	Equity	The relationship between a security's valuation by the market and the book value of assets reported. In terms of a portfolio, it is the market capitalization weighted value of all the securities within the portfolio.
Public Funds Universe	General	A total plan universe comprised of all State and Local government run pension plans in the ICC database. There are approximately 250 plans in this universe.
Quality	Fixed Income	Measures the market value weighted credit quality of the portfolio.
R-Squared	General	Indicates the proportion of the portfolio's returns that can be explained by its beta.
Return on Equity (ROE)	Equity	The earnings per share of a firm divided by the firm's book value per share. It is the return on the equity capital of a business. In terms of a portfolio, it is the market capitalization weighted ROE of all the securities within the portfolio.
Return Ranking	General	The percentile ranking of the return. For example, if a fund's (manager's) return rank is 5 then 5% of the funds in the universe had higher returns and 95% of the funds had lower returns.
Russell 1000 Equity Index	Index	The largest 1000 stocks of the Russell 3000 Index, representing approximately 92% of the total market capitalization of the Russell 3000 Index. The average market capitalization is approximately \$3.8 billion. The smallest company in the index has an approximate market capitalization of \$1350.8 million.
Russell 2000 Equity Index	Index	The smallest 2000 stocks of the Russell 3000 Index. The average market capitalization for this index is approximately \$900 million.
Russell 3000 Equity Index	Index	The largest 3000 common stocks of U.S. domiciled companies, with market capitalization adjustments for cross ownership and large private holdings.
Sector - Risk Decomposition	Fixed Income	Represents the amount of active risk within the fixed income portfolio attributable to investments in different sectors.
Security Selection	International	The effect the actual securities (net of country and currency attribution) have on a manager's performance compared to its benchmark.
Sharpe Ratio (Reward/Variability Ratio)	General	Measures the added return per unit of risk. Mathematically, it is the excess return of a portfolio divided by the standard deviation of the portfolio returns.
Short Fixed Income Manager	Fixed Income	Usually "cash" managers, the portfolio duration should be 0-40% of the Barclays Aggregate Bond Index.
Specific - Return Decomposition	Fixed Income	Represents the active return of the portfolio that cannot be explained by sector, rating, maturity, time or term. This return is specific to the bond itself.
Specific - Risk Decomposition	Fixed Income	Represents the active risk of the portfolio that cannot be explained by sector, rating, or term. This risk is specific to the bond itself.

## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary


TERM	CATEGORY	DEFINITION
S&P 500 (Standard & Poor's 500 Index)	Index	A composite index of 400 industrial, 40 financial, 40 utility and 20 transportation common stocks. The index is capitalization-weighted, so larger companies have a greater impact on the index.
Standard Deviation (Risk) Ranking	General	The percentile ranking of the risk inherent in the funds returns (standard deviation of the returns). For example, if the fund's rank is 5 then 5% of the funds in the universe have lower standard deviations (less risk) than the fund and 95% have higher.
Standard Deviation of Return (Risk)	General	Measures the range within which an actual return may deviate from the expected rate of return over a defined time period, or the amount of risk that you incur to achieve the expected return.
Term - Return Decomposition	Fixed Income	Represents the active return due to the term structure of fixed income instruments. It looks at the active return gained due to the cash flow structure of the portfolio and any interest rate movements.
Term - Risk Decomposition	Fixed Income	Represents the risk inherent in the portfolio due to the term structure of the underlying fixed income instruments. It looks at the active risk exposure due to the cash flow structure of the portfolio and any interest rate movements.
Time-Return Decomposition	Fixed Income	Represents the active return due to cash flows at different points on the term structure of a fixed income instrument.
Total Currency	International	The portion of the international portfolio performance attribution due to the total currency effect (implicit and explicit) of the portfolio.
Total Performance Attribution	International	The difference between the portfolio total return and the benchmark total return. It is the sum of attribution due to country selection, implicit currency, explicit currency, security selection and other.
Total Fund	General	A plan sponsor's composite portfolio. A plan sponsor may be defined as a corporate plan, public fund, trust, endowment, foundation, 401(k), Taft-Hartley, health & welfare, etc.
Total Fund Universe	Total Fund	This universe is an aggregation of institutional custodial data submitted by the ICC, selected regional banks, and the ICC consulting firms. The total fund universe contains an estimated 1,550 accounts. Specialty total fund universes are subset universes containing a plan sponsor type and/or size.
Total Rate of Return	General	Incorporates both realized and unrealized capital gains and losses, as well as total earnings from interest and dividends on a fund or plan.
Value Equity Managers	Equity	Value managers buy companies that are under-priced relative to the equity market in general. These stocks usually sell at low price/book and low price/earning ratios.
Yield to Maturity	Fixed Income	The rate of return that would be earned if all coupon payments on a bond held to maturity could be reinvested at the same rate as the coupon of the bond.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 6.3

To: Board of Retirement

  
From: Gary Clifton, Chief Investment Officer

Subject: Approval of Investment Management Agreement (IMA) for an International Developed Markets Large Cap Growth Manager - Baillie Gifford & Company – EAFE Plus Focus

STAFF RECOMMENDATION: Staff recommends that the board authorize the Chair to execute an Investment Management Agreement with Baillie Gifford and Company for an international developed markets large cap growth mandate and for staff to implement that mandate.

COMMENT: In January, the board approved *SamCERA*'s new draft IMA. Staff is in negotiation with Baillie Gifford & Company to execute that agreement. It is not certain that an agreed upon version of the IMA will be available by board time. The board may elect to continue this item on the March agenda.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Contract for Investment Management Services**  
RESOLUTION 10-11-

*THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), approves an Agreement between the Board and Baillie Gifford & Company for an International Developed Markets Growth Equity Mandate*

- WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and
- WHEREAS**, Government Code §31595 vests in the Board "*. . . exclusive control of the investment of the employees retirement fund.*"; and
- WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers "*. . . in connection with administration of the Board's investment program . . .*"; and
- WHEREAS**, in May 2010, the Board completed an international equity study, which resulted in restructuring the international equity asset class to include a developed markets large cap growth manager and eliminate the straight international growth mandate. The new mandate would be 6.00 % of *SamCERA's* entire portfolio; and
- WHEREAS**, following discussion of the criteria and initial screening process for a developed market large cap growth search at the June 21, 2011, Board meeting, ten firms were approved to receive a Request for Information (RFI); and
- WHEREAS**, on August 23, 2011, the Board considered proposals from those ten firms then three firms, Baillie Gifford & Company, Franklin Templeton Institutional and Gryphon International Investment Corporation were invited to participate in an interview at the September board meeting; and
- WHEREAS**, on September 27, 2012, the Board interviewed representatives from the three finalists, selecting Baillie Gifford & Company to manage the mandate, which will be funded with approximately \$145 million; Therefore, be it
- RESOLVED** that the Board hereby approves the contract between the Board and Baillie Gifford & Company for an open term, the Board may terminate the contract on thirty days written notice. Be it further.
- RESOLVED** that the Board hereby delegates full discretionary authority to Baillie Gifford & Company to manage the assets of the Retirement Fund as allocated by the Board in accordance with the terms of the Agreement and applicable laws governing the conduct of fiduciaries entrusted with the management of public employees' retirement funds. Be it further
- RESOLVED** that the Board hereby approves the fees as specified in the Fee Agreement of the Investment Management Agreement and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA's* internal controls. Be it further
- RESOLVED** that the Board hereby authorizes the Chair, to execute the Agreement on behalf of the Board. Be it further
- RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the Agreement and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 6.4

To: Board of Retirement

From:   
Gary Clifton, Chief Investment Officer

Subject: Approval of a Group Trust Agreement with Pyramis Global Advisors for an International Small Cap Equity Mandate

STAFF RECOMMENDATION: Staff recommends that the Board of Retirement adopt a resolution authorizing (1) the Chair to execute documentation with Pyramis Global Advisors for an international small cap equity mandate in the Pyramis' Select International Small Cap Plus portfolio, (2) the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement and (3) an initial investment of \$40 million in the mandate

COMMENT: *SamCERA* completed a successful site visit with Pyramis Global Advisors at its Smithfield, Rhode Island office on February 21, 2012. Details of the visit will be presented at the board meeting.

Attached you will find (1) the Declaration of Group Trust for the Pyramis Group Trust for Employee Benefit Plans (As Amended and Restated Effective as of July 1, 2009), (2) the Declaration of Separate Fund for the Pyramis Select International Small Cap Plus Commingled Pool, (3) the Participation Agreement for the Pyramis Group Trust, (4) Pyramis Global Advisors Business and Policies Brochure and (5) a draft side letter. This documentation is required by Pyramis. For a commingled product *SamCERA* must adopt the investment manager's documentation. *SamCERA* is negotiating a side letter to include items not covered in the agreements.

Legal counsel is currently reviewing the documentation and will provide comments at the board.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

RESOLUTION 11-12-

*RESOLUTION authorizing (1) the Chair to execute an agreement with Pyramis Global Advisors for International Small Cap Investment Management Services and (2) authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement.*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and

**WHEREAS**, Government Code §31595 vests in the Board "*. . . exclusive control of the investment of the employees retirement fund.*"; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers "*. . . in connection with administration of the Board's investment program . . .*"; and

**WHEREAS**, on May 24, 2011, the Board completed a study on the structure of *SamCERA's* international equity portfolio, which resulted in restructuring the international equity asset class to include a dedicated international small cap mandate that will be 1.75 % of *SamCERA's* entire portfolio; and

**WHEREAS**, on October 25, 2011 the Board considered proposals from nine firms for an investment management services under an international small cap equity mandate. Dimensional Fund Advisors, Pyramis Global Advisors and Wells Capital Management Incorporated were invited to participate in interview at the December board meeting; and

**WHEREAS**, on December 13, 2011, the Board interviewed representatives from the three finalists, selecting Pyramis Global Advisors for the mandate to be funded with approximately \$40 million; Therefore, be it

**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required documentation on behalf of the Board that has been approved by staff and counsel. Be it further

**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

DECLARATION OF TRUST

PYRAMIS GROUP TRUST FOR EMPLOYEE BENEFIT PLANS  
(As Amended and Restated Effective as of July 1, 2009)

Pyramis Global Advisors Trust Company

487262





# DECLARATION OF TRUST

PYRAMIS GROUP TRUST FOR EMPLOYEE BENEFIT PLANS  
AS AMENDED AND RESTATED EFFECTIVE AS OF JULY 1, 2009

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# DECLARATION OF TRUST

(As Amended and Restated Effective as of July 1, 2009)

WHEREAS, Pyramis Global Advisors Trust Company (hereinafter referred to as the "Trustee"), has previously established the Pyramis Group Trust for Employee Benefit Plans (hereinafter referred to as the "Trust") effective as of May 1, 2006;

WHEREAS, the Trustee desires to amend and restate the Declaration of Trust effective as of July 1, 2009 in order to reflect the creation of Unit classes, among other things;

NOW THEREFOR, the Trustee declares and agrees that it will hold, administer and deal with all money and property received or purchased by it as Trustee hereunder upon the following terms and conditions:

## ARTICLE I

### Definitions

Whenever used in this Declaration of Trust, unless the context otherwise clearly requires, the masculine gender shall include both sexes, the singular shall include the plural, the plural shall include the singular, and the following words shall have the meanings set forth below:

- 1.1 "Class" shall mean such separate classes or divisions of interests as the Trustee shall establish from time to time.
- 1.2 "Description of Classes" has the meaning ascribed to it in Section 3.5.
- 1.3 "Code" shall mean the Internal Revenue Code of 1986, as amended.
- 1.4 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.
- 1.5 "Fiscal Year" shall mean the fiscal year of the Trust and each Fund, as established from time to time by the Trustee.
- 1.6 "Fund" shall mean the one or more investment funds established pursuant to Article III.
- 1.7 "Participating Plan" shall mean a Qualified Investor which, with the consent of the Trustee, has made a deposit in a Fund and has a beneficial interest in a Fund.
- 1.8 "Participation Agreement" means an agreement entered into by the Trustee and a Qualified Investor, which provides for the admission of such Qualified Investor to the Fund as a Participating Plan.

1.9 “Plan Fiduciary” shall mean the person or persons who direct the investment of the assets of a Participating Plan in a Fund, but shall not include the Trustee or an affiliate of the Trustee, unless expressly provided otherwise and expressly agreed to in writing by the Trustee or the affiliate, in which case it will include the Trustee or the affiliate. If the person who directs the investment of any assets of a Participating Plan in a Fund is a participant or beneficiary entitled to benefit from the Participating Plan and is acting in his capacity as such, then Plan Fiduciary shall mean the plan sponsor or appropriate plan fiduciary that has authorized the use of one or more Funds as one or more investment options for participants and beneficiaries of the relevant Participating Plan.

1.10 Qualified Investor shall mean:

- (a) A pension, profit sharing, stock bonus or other employee benefit plan which (i) either (A) is a qualified plan within the meaning of Section 401(a) of the Code and for which there is maintained a trust fund which is tax-exempt pursuant to Section 501(a) of the Code, or (B) is a governmental plan as defined in Sections 401(a)(24) and 818(a)(6) of the Code which has been established by the employer for the exclusive benefit of its employees or their beneficiaries for the purpose of distributing to such employees or beneficiaries the corpus and income of the funds accumulated under such plan, and pursuant to which plan it is impossible, prior to the satisfaction of all liabilities with respect to such employees and their beneficiaries, for any part of the corpus or income to be used for, or diverted to, purposes other than the exclusive benefit of such employees or beneficiaries and (ii) is administered under one or more documents that (A) authorize part or all of the assets of the plan to be commingled for investment purposes with the assets of other plans in a collective investment trust and (B) provide that such trust, to the extent of the plan’s interest therein, shall constitute a part of the plan.
- (b) A trust for the collective investment of assets of any investor otherwise described in this Section 1.10, which trust (i) qualifies as a “group trust” under Internal Revenue Service Revenue Ruling 81-100 or any successor ruling and (ii) which is administered under one or more documents which authorize part or all of the assets of the trust to be commingled for investment purposes with the assets of other such trusts in a collective investment trust and whose constituent trusts adopt each such collective investment trust as a part of their respective plans. Each Fund shall be a group trust for all purposes, including this Section 1.10(b).
- (c) A segregated asset account maintained by a life insurance company (i) consisting exclusively of assets of investors described in subsections (a) and/or (b) of this Section 1.10, provided, however, that this clause (c) shall become effective only if the Internal Revenue Service issues a favorable determination letter with regard to this Declaration of Trust (without requiring deletion of this clause (c)); and
- (d) any other plan or trust (other than an individual retirement account under Section 408 of the Code) permitted by Revenue Ruling 81-100 to be commingled in trust for investment purposes with the assets of other Participating Plans hereunder with the resulting commingled trust being exempt from Federal income taxation under Section 501(a) of the Code by reason of qualifying as a “group trust”; provided, however, that the organizational documents, maintenance, actions and activities of such plan or trust satisfy any applicable conditions of Revenue Ruling 81-100 and any other applicable legal requirements identified by the Trustee, including, without limitation, requirements under the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended.

- 1.11 “Trustee” shall mean Pyramis Global Advisors Trust Company in its capacity as trustee under this Declaration of Trust.
- 1.12 “Valuation Date” shall mean the last business day of each calendar month and such other dates as are designated by the Trustee.

## ARTICLE II

### Conditions of Participation; Non-Diversion of Assets; Governing Law

- 2.1 Conditions of Participation. The Trustee shall accept deposits for any Fund or any Class of a Fund under this Trust only from Qualified Investors. The Trustee may establish from time to time additional conditions for eligibility to participate in a Fund or in any particular Class of a Fund by setting forth such conditions in the applicable Declaration of Separate Fund or the Description of Classes or the applicable Participation Agreement.
- 2.2 Non-Diversion of Assets. At no time, prior to the satisfaction of all liabilities with respect to the individual or employees or their beneficiaries entitled to benefits under any Participating Plan, shall that part of the principal or income of any Fund which equitably belongs to a Participating Plan be used for or diverted to any purposes other than for the exclusive benefit of the individual or the employees or their beneficiaries who are entitled to benefits under such Participating Plan. The beneficial interest of a Participating Plan in a Fund shall not be assignable nor subject to attachment or receivership, nor shall it pass to any trustee in bankruptcy or be reached or applied by any legal process for the payment of any obligations of the Participating Plan.
- 2.3 Qualification as Group Trusts. It is intended that the Funds be exempt from taxation under Code Section 501(a) and qualify as “group trusts” under Internal Revenue Service Revenue Ruling 81-100 and other applicable Internal Revenue Service rules and regulations. In furtherance of this intent, each investor which seeks to invest in a Fund shall represent and warrant that such investor is a Qualified Investor as defined in Section 1.10 and shall provide, at the request of the Trustee, such other information (including, but not limited to, a written certificate or opinion of counsel regarding its status satisfactory to the Trustee or a copy of a favorable determination letter from the Internal Revenue Service) or other assurances the Trustee may deem necessary or advisable. A Qualified Investor that has been accepted as a Participating Plan in a Fund shall continue to be eligible to participate in the Fund, subject to the following conditions:
  - (a) During such time as any assets of a Participating Plan are held in the Fund, (i) this Declaration of Trust shall govern the administration of such assets, and (ii) in the event of any inconsistency between the governing instrument of the Participating Plan and this Declaration of Trust relating to the management or administration of the Participating Plan’s assets held hereunder or to the rights, powers, responsibilities or liabilities of the Trustee with respect thereto, the terms of this Declaration of Trust shall govern.
  - (b) If at any time a Participating Plan shall fail to satisfy all of the requirements of Section 1.10 or any other requirements imposed upon the Participating Plan under this Declaration of Trust or the Participation Agreement applicable to such Participating Plan, such Participating Plan shall promptly notify the Trustee. If the Trustee receives actual notice that a Participating Plan no longer satisfies the conditions of Section 1.10 or any such other requirements, or if the

Trustee determines at any time in its sole discretion that a Participating Plan should withdraw from any Fund, the Trustee shall take all steps necessary to distribute to such Participating Plan its entire interest in the Fund or Funds established pursuant to this Declaration of Trust, other than, in the sole discretion of the Trustee, any interest the Participating Plan may have in a Transition Account or Liquidating Account, as soon as practicable after the Trustee receives such notice or makes such determination.

- 2.4 Governing Law. This Trust shall be governed by the laws of the United States of America, to the extent applicable to the subject matter hereof, and otherwise by the laws of the State of New Hampshire. This Trust shall at all times be maintained as a domestic trust in the United States.

### ARTICLE III

#### Investments; Establishment of Funds

- 3.1 Management of the Funds. The Trustee is authorized to exercise all of the powers of an owner with respect to the asset of every Fund in whatever manner the Trustee considers for the best interest of the Fund. Assets comprising any Fund shall be managed for the exclusive purpose of providing benefits to employees and their beneficiaries entitled to benefits under the Participating Plans and defraying the reasonable expenses of administering the Participating Plans. Subject to the foregoing, the Trustee may, at its own expense unless otherwise specified in the Declaration of Separate Fund (as defined in Section 3.4), retain and consult with such investment advisers, investment managers or other consultants, including, but not limited to, any affiliate of the Trustee, as the Trustee, in its sole discretion, may deem advisable to assist it in carrying out its responsibilities under this Declaration of Trust, and may also delegate all or part of its duties and obligations to any agents, which may be affiliates, provided that the Trustee shall not be relieved of its liabilities with respect to any such duties or obligations so delegated; provided, however, that, to the extent permissible under applicable law, the Trustee may appoint an "investment manager," as defined in Section 3(38) of ERISA, to manage some or all of the assets of a Fund, in which case the Trustee shall be relieved of the responsibility and liability for management of such assets to the extent provided in ERISA, unless otherwise provided in the applicable Declaration of Separate Fund or management agreement with such investment manager. Notwithstanding the foregoing, the Trustee shall not delegate duties or obligations hereunder if such delegation would result in the offering of Units of a Fund, or a Fund itself, being required to be registered under the federal securities laws.
- 3.2 Investments. The Trustee shall be responsible for the investment and reinvestment of the principal and income of the Trust and shall keep the same invested, without distinction between principal and income, in any property and in such proportions as the Trustee, in its sole discretion, shall deem appropriate, subject only to the terms and conditions of this Declaration of Trust. Without limiting the generality of the foregoing, but subject to the requirements of applicable law, the Trustee is authorized and empowered in its discretion from time to time to invest and reinvest each Fund and keep it invested, without distinction between principal and income, in such common or capital stocks, preferred stocks, bonds, notes (including, but not limited to, structured notes), debentures, securities convertible into common or capital stocks, derivative instruments (including, but not limited to, futures contracts, option contracts, swap agreements and currency forward contracts), mortgages, equipment trust certificates, investment trust certificates, shares of registered or unregistered investment companies (including, but not

limited to, but subject to applicable law, companies maintained, sponsored, managed, and/or advised by the Trustee or any of its affiliates), certificates of indebtedness, acceptances, bills of exchange, treasury bills, bank savings deposits (including, but not limited to, but subject to applicable law, any such deposits bearing a reasonable rate of interest maintained by the Trustee or any affiliate of the Trustee), commercial paper (including participations in pooled commercial paper accounts), mortgage-backed securities and other asset-backed securities, interests in structured investment vehicles, cash, real and personal property either tangible or intangible or wherever situated, and in such other property, investments and securities of any kind, class or character, whether domestic or foreign, including securities issued by or the property of, any employer or governmental unit maintaining a Participating Plan, and in making such investments or reinvestments, the Trustee shall not be restricted to securities or property of the character authorized for investment by trustees under any present or future laws of the State of New Hampshire. Without limiting the foregoing, the Trustee is authorized and empowered in its discretion from time to time to invest and reinvest any assets of a Fund in one or more collective investment trusts which are exempt from tax under Internal Revenue Service Revenue Ruling 81-100 or any successor ruling (including, without limitation, any such collective investment trust maintained by the Trustee or any of its affiliates for the collective investment of the assets of Qualified Investors whether such collective investment trust is established and maintained pursuant to this Declaration of Trust or another instrument) and while the assets of any Fund are so invested, such collective investment trust shall constitute a part of this Trust with respect to such Fund.

- 3.3 Foreign Investments. The Trustee may invest the assets of any Fund in any property the indicia of ownership for which is maintained outside the jurisdiction of the District Courts of the United States, but only to the extent authorized by regulations promulgated by the Secretary of Labor pursuant to Section 404(b) of ERISA. To the extent permitted by such regulations, the Trustee may enter into custodian agreements with one or more banks or other entities located outside the United States (a "Foreign Entity") pursuant to which all or any portion of the assets of one or more of the Funds shall be held in custody of such Foreign Entity; provided, however, that the Trustee shall retain control of the investment of such assets. The Trustee is authorized to enter into arrangements with one or more Foreign Entities pursuant to which the Foreign Entity will, in addition to serving as custodian, provide brokerage services with respect to the assets held in custody.
- 3.4 Establishment of Funds. The Trustee, pursuant to an instrument which shall incorporate the terms of this Declaration of Trust and shall be part thereof upon execution by the Trustee (referred to herein as the "Declaration of Separate Fund"), may from time to time establish one or more separate Funds, the assets of which shall be invested and reinvested in such class or classes of property and with such investment objectives and restrictions ("Characteristics") as the Trustee may specify upon the establishment of such Fund or Funds and from time to time thereafter, subject, however, to the following restrictions and provisions:
- (a) The Trustee shall not invest the assets of any Participating Plan in any such Fund until the Trustee has provided a description of the Characteristics of such Fund to the Plan Fiduciary.
  - (b) The Trustees shall not change the Characteristics of any Fund unless it shall first provide at least sixty (60) days prior notice and a description of such change of Characteristics to the Plan Fiduciary of each Participating Plan having an interest in such Fund.

- (c) The determination by the Trustee as to whether or not an investment is within the category of investments permissible for any Fund shall be conclusive.
- (d) The assets received by the Trustee from a Participating Plan shall be placed entirely or partially in any or all of the Funds, as the Plan Fiduciary or agent of the Plan Fiduciary shall, from time to time, in its sole discretion, determine and direct.
- (e) Notwithstanding the Characteristics of any Fund established hereunder, the Trustee may invest all or any portion of the assets of any Fund in government securities, commercial paper, repurchase agreements, bankers acceptances, time deposits (including, but not limited to, but subject to applicable law, any such deposits bearing a reasonable rate of interest maintained by the Trustee or any affiliate of the Trustee), certificates of deposit (including those issued by domestic and foreign banks and their branches) or savings accounts (including those maintained by the Trustee or any affiliate of the Trustee), short term collective investment funds (including, but not limited to, but subject to applicable law, a STIF established pursuant to this Declaration of Trust or other short term collective investment funds of the Trustee or its affiliates), money market mutual funds (including, but not limited to, but subject to applicable law, those maintained or advised by the Trustee or its affiliates) and other short term debt obligations. Pending the selection and purchase of suitable investments, the Trustee may retain in cash, without liability for interest, such portion of the Fund as it shall deem reasonable under the circumstances and to deposit cash awaiting investment or distribution in accounts maintained in the commercial or savings department of any bank or savings association, including any bank that is an affiliate of the Trustee.
- (f) Each Fund shall be independent of each other Fund and shall be separately held, managed, administered, valued, invested, reinvested, distributed, accounted for and otherwise dealt with. No Fund shall be answerable for any obligation assumed or liability incurred by any other Fund and no expense or charge specifically allocable to any one Class shall otherwise be allocable to or borne by any other Class or Classes. All persons extending credit to, contracting with, or having any claim of any type against any Fund (including, without limitation, contract, tort and statutory claims) shall look only to the assets of such Fund for payment under such credit, contract or claim. No Participating Plan, nor any participant, beneficiary, trustee, employee or agent thereof, nor the Trustee, nor any of its officers, directors, shareholders, partners, employees or agents shall be personally liable for any obligation of any Fund. Every note, bond, contract, instrument, certificate, or undertaking and every other act or thing whatsoever executed or done by or on behalf of any Fund shall be conclusively deemed to have been executed or done only by or for such Fund.
- (g) Any income or distributions earned or received on assets of a Fund shall be added to the principal of that Fund and invested and reinvested as part thereof. Profits or losses of a Fund shall be credited to or charged against that Fund.
- (h) The assets of each Fund shall be owned exclusively by the Trustee and no Participating Plan shall have any individual ownership of such assets but each Participating Plan shall have an undivided interest in a Fund into which it has made deposits and shall share proportionately with all other Participating Plans in such Fund in the net income, profits, and losses thereof, to the extent permissible under applicable law and subject to the allocation of certain fees and expenses with respect to the various Classes, if any, of the Fund, provided that nothing in this Declaration of Trust shall preclude the Trustee from directly charging any one or more

Participating Plans fees and expenses (which fees and expenses may differ among one or more of such Participating Plan) as long as each such Participating Plan has agreed to pay such fees and expenses.

- 3.5 Establishment of Classes. The Trustee, in its sole discretion and to the extent permissible under applicable law, may divide a Fund into one or more Classes of Units representing beneficial interests in such Fund with differing fee and/or expense obligations or liabilities. The Trustee shall establish such Classes by establishing a written description of classes (the "Description of Classes"), which shall specify the rate of Trustee compensation and the type and nature of other expenses, costs, charges and other liabilities specially allocable to each Class of Units, as well as any conditions to participation in such Class. With respect to a Class of Units of a Fund, each Unit shall be of equal value to every other Unit of the same Class, but such Class may have a different value than other Classes of the Fund. The fact that a Fund shall have been established and designated without any specific establishment or designation of Classes, or that a Fund shall have more than one established and designated Class, shall not limit the authority of the Trustee, in its sole discretion and at any time, to subsequently establish and designate separate Classes, or one or more additional Classes, of said Fund, or to amend or terminate Classes, in its sole discretion.
- 3.6 Short-Term Investment Funds. Notwithstanding anything to the contrary herein, the Trustee is specifically authorized to establish one or more short-term investment funds (each such Fund, a "STIF"), as more fully set forth in Appendix A hereto. Any provision of this Declaration of Trust that is not inconsistent with the Characteristics applicable to a STIF shall apply to the STIF, and any provision of the Characteristics of a STIF shall supersede any inconsistent provision of this Declaration of Trust; provided that no term of the Characteristics may vary any term of this Declaration of Trust which would cause the STIF to fail to qualify as a group trust under Revenue Ruling 81-100.
- 3.7 Stable Asset Funds. Notwithstanding anything to the contrary herein, the Trustee is specifically authorized to establish one or more stable asset funds (each such Fund, a "SAF"), as more fully set forth in Appendix B hereto. Any provision of this Declaration of Trust that is not inconsistent with the Characteristics applicable to a SAF shall apply to the SAF, and any provision of the Characteristics of a SAF shall supersede any inconsistent provision of this Declaration of Trust; provided that no term of the Characteristics may vary any term of this Declaration of Trust which would cause the SAF to fail to qualify as a group trust under Revenue Ruling 81-100.

#### ARTICLE IV

##### Units of Participation

- 4.1 Recording of Beneficial Interests. The beneficial interest of each Participating Plan in a Fund shall be represented by "Units," each one of which shall be of equal value to every other, and the total number of which may be from time to time diminished or increased as hereinafter provided. Each Unit shall represent an undivided proportionate interest in all assets and liabilities of such Fund and all income, profits, losses and expenses shall be allocated equally to all Units. The Trustee or its agent shall keep books in which shall be recorded the number of Units standing to the credit of each Participating Plan. From time to time the Units of any Class of a Fund may be divided into a greater number of Units of lesser value, or combined into a lesser number of Units of greater value, provided that the proportionate interest of each Participating Plan in the Fund or Class of any Fund shall not thereby be changed.



4.2 Valuation of Units. At the inception of each Fund the value of each Unit shall be \$10.00, or such other amount as the Board of Directors of the Trustee shall determine at the time it establishes a Fund. As of each Valuation Date after the inception of such Fund, the Trustee or its agent shall determine the then value of each of the Units of such Fund and each Class of such Fund in accordance with the following procedures:

- (a) The Trustee shall determine the then Fair Value of the assets of such Fund. Unless stated otherwise in the Declaration of Separate Fund establishing a particular Fund, the Fair Value of any asset of a Fund shall be the fair value as determined by the Trustee in reference to such valuation standards as the Trustee, in good faith, deems applicable in the circumstances including, but not limited to: (i) with respect to securities for which market quotations are readily available, the market value of such securities; and (ii) with respect to other assets, the value as determined in such manner as is described in the instrument creating such Fund.
- (b) The Trustee shall subtract from the value determined under Section 4.2(a) any expenses, charges, or other liabilities incurred or accrued by the Fund and not specifically allocated to a particular Class of the Fund in the Description of Classes, as determined by the Trustee in good faith in accordance with procedures established from time to time by the Trustee in its discretion.
- (c) The Trustee shall allocate the net value determined under Section 4.2(b) among the Classes established with respect to such Fund (proportionate to the aggregate net asset value of the Fund represented by each Class immediately prior to the allocation under this Section 4.2) and shall thereafter subtract from such value any expenses, charges or other liabilities incurred or accrued by the Fund and attributable to such Class in accordance with the Description of Classes.
- (d) The Trustee shall divide the net value determined under Section 4.2(c) by the total number of Units of such Class in existence as of the relevant Valuation Date. The Trustee shall have a reasonable period of time within which to determine the value of the Units as of the relevant Valuation Date and the aggregate value of the beneficial interest of each Participating Plan in the Fund as of such Valuation Date.

The Trustee and any pricing agents or services selected by the Trustee may in its or their sole discretion consider, utilize and rely upon any regularly published reports of sales, bid, asked and closing prices, and over-the-counter quotations or prices for the values of any listed or unlisted securities, currencies, futures contracts or other assets. The reasonable and equitable decision of the Trustee regarding whether a method of valuation fairly indicates fair market value (or fair value, as the case may be), and the selection of a pricing agent or service and the good faith determination of the Trustee or any pricing agent or service, shall be conclusive and binding upon all persons.

4.3 Suspension of Valuations. Notwithstanding any provision in this Declaration of Trust or any Declaration of Separate Fund to the contrary, the Trustee, in its sole discretion, may suspend the valuation of the assets or Units of any Fund pursuant to this Article IV for the whole or any part of any period when (i) any market or stock exchange on which a significant portion of the investments of such Fund are quoted is closed (other than for ordinary holidays) or during which dealings therein are restricted or suspended, or a closing of any such market or stock exchange or a suspension or restriction of dealings is threatened; (ii) there exists any state of affairs which,

in the opinion of the Trustee, constitutes a situation or emergency or other reason, circumstance, or event, as a result of which investment or disposition of the assets of such Fund would not be reasonably practicable or would be seriously prejudicial to the Participating Plans therein (including, but not limited to, adverse market costs, market timing and excessive/disruptive trading); (iii) there has been a breakdown in the means of communication normally employed in determining the price or value of any of the investments of such Fund, or of current prices on any stock exchange on which a significant portion of the investments of such Fund are quoted, or when for any reason the prices or values of any investments owned by such Fund cannot reasonably be promptly and/or accurately ascertained; (iv) the transfer of funds involved in the realization or acquisition of any investment cannot, in the opinion of the Trustee, be effected at normal rates of exchange; (v) the normal settlement procedures for the purchase or sale of securities or other assets cannot be effected in the customary manner or in accordance with generally applicable time periods; (vi) the action of any government or agency thereof or any self-regulatory body prevents or interferes with the ability of the Trustee to promptly and/or accurately value the assets of the Fund or readily transfer or dispose of assets of the Fund; or (vii) the Trustee deems such action is in the best interests of the Fund or the Participating Plans.

## ARTICLE V

### Deposits and Withdrawals

- 5.1 Deposits. Deposits to and withdrawals from a Fund may be made only as of a Valuation Date and only with the authorization of the Plan Fiduciary. Such authorization shall not be canceled or countermanded after the Valuation Date on which such deposit or withdrawal is made.
- 5.2 Acceptance of Deposits. Deposits may be made only with the consent of the Trustee and shall consist only of cash or such other property as the Trustee shall, in its sole discretion, deem to be a suitable and permissible investment for any of the Funds on such Valuation Date. Assets other than money shall be valued at their Fair Value as of the Valuation Date of the deposit. The Trustee shall credit to the account of the Participating Plan which makes a deposit that number of Units of the Fund which the deposit will purchase at the value of each Unit of the Class in which the Participating Plan will acquire an interest on the Valuation Date as of which the deposit is made. Notwithstanding anything to the contrary elsewhere herein, the Trustee, in its sole discretion and to the extent permissible under applicable law, may allocate deposits made by a Participating Plan to a Transition Account established pursuant to Article VIII pending investment in a Fund.
- 5.3 Withdrawals. Unless determined otherwise by the Board of Directors of the Trustee at the time that it establishes a Fund, withdrawals from any Fund may be made upon at least fifteen (15) business days advance written notice to the Trustee or such lesser period to which the Trustee may agree; provided that such right of withdrawal may be further limited by the Declaration of Separate Fund applicable to such Fund or the Description of Classes applicable to any Class of Units of the Fund. Any withdrawal shall be as of the Valuation Date on or next succeeding the expiration of the notice period and shall be effected within a reasonable time following such Valuation Date, except that such withdrawal may be delayed if the Trustee determines that it cannot reasonably make such distribution on account of any order, directive or other interference by an official or agency of any government or any other cause reasonably beyond its control including, but not limited to, illiquid markets, illiquid securities, the suspension of trading of

securities or foreign exchange markets, or the disruption of facilities to effect purchases and sales of securities and other assets. The Participating Plan receiving such distribution shall not be entitled to any interest or other income earned on such monies pending payment of the distribution. The Trustee may, in its sole discretion, effect such withdrawal in cash or in property or in a combination of both to the extent permissible under applicable law (including, but not limited to, as an in-kind distribution, beneficial interests in a Liquidating Account or Transition Account). In its sole discretion, the Trustee may, to the extent permissible under applicable law, determine that distributions to different Participating Plans effected as of the same Valuation Date may be composed of different proportions of cash and non-cash assets. The value of any asset other than cash which is distributed from a Fund shall be deemed to be the Fair Value thereof as determined by the Trustee in accordance with Section 4.2 as of the close of business on the Valuation Date as of which the withdrawal is effected. Upon withdrawal of Units from a Fund or Class, the Trustee shall distribute to the Participating Plan making such withdrawal an amount equal to the number of Units withdrawn multiplied by the value of each Unit of such Fund or Class as of the Valuation Date.

Notwithstanding anything to the contrary elsewhere herein, the Trustee, in its sole discretion and to the extent permissible under applicable law, may allocate withdrawals made by a Participating Plan to a Transition Account, established pursuant to Article VIII, and transfer the assets related thereto to such Transition Account, pending distribution to the Participating Plan.

- 5.4 Adjustments. The Trustee may make, in its good faith discretion, retroactive or subsequent adjustments to reflect the actual income, expenses, liabilities, and obligations allocable to assets held in the Fund or in any Liquidating or Transition Account and to reflect the correct pricing of any assets of the Fund or any Liquidating or Transition Account not later than 15 months after the event in question. In such event, the Trustee shall make appropriate additions to, or deductions from, as the case may be, the value of the Units held by the Participating Plans in the Fund or their interests in any Liquidating or Transition Account, as the case may be. If a Participating Plan has redeemed all its Units in the Fund or interests in the Liquidating or Transition Account and any such adjustment results in a deduction to the value of the redeemed Units or interests as of the relevant time, then the Participating Plan will be liable to the Fund to repay promptly the amount of any such deduction which has been so previously allocated by the Trustee to such Participating Plan. If any such Participating Plan is entitled to a credit, then the Trustee shall promptly issue additional Units to the Participating Plan equal to the value of the credit or, to the extent the Trustee deems appropriate, promptly remit from the assets of the Fund payment of the same to such Participating Plan if the Participating Plan has redeemed all of its Units in the Fund.
- 5.5 Suspension of Deposit or Withdrawal Rights. Notwithstanding any provision in this Declaration of Trust or Declaration of Separate Fund to the contrary, the Trustee, in its sole discretion, may suspend the right to make deposits or withdrawals to or from any Fund in accordance with this Article V for the whole or any part of any period when (i) any market or stock exchange on which a significant portion of the investments of such Fund are quoted is closed (other than for ordinary holidays) or during which dealings therein are restricted or suspended, or a closing of any such market or stock exchange or a suspension or restriction of dealings is threatened; (ii) there exists any state of affairs which, in the opinion of the Trustee, constitutes a situation or emergency or other reason, circumstance, or event as a result of which investment or disposition of the assets of such Fund would not be reasonably practicable or would be seriously prejudicial to the

Participating Plans therein (including, but not limited to, adverse market costs, market timing and excessive/disruptive trading); (iii) there has been a breakdown in the means of communication normally employed in determining the price or value of any of the investments of such Fund, or of current prices on any stock exchange on which a significant portion of the investments of such Fund are quoted, or when for any reason the prices or values of any investments owned by such Fund cannot reasonably be promptly and/or accurately ascertained; (iv) the transfer of funds involved in the realization or acquisition of any investment cannot, in the opinion of the Trustee, be effected at normal rates of exchange; (v) the normal settlement procedures for the purchase or sale of securities or other assets cannot be effected in the customary manner or in accordance with generally applicable time periods; (vi) the action of any government or agency thereof or any self-regulatory body prevents or interferes with the ability of the Trustee to promptly and/or accurately value the assets of the Fund or readily transfer or dispose of assets of the Fund; or (vii) the Trustee deems such action is in the best interests of the Fund or the Participating Plans.

- 5.6 Distribution Upon Disqualification. Notwithstanding any provision herein to the contrary, if the Trustee receives notice that a Participating Plan has lost its status as a Qualified Investor hereunder, if the Trustee resigns or is removed as Trustee, or if, for any reason, the Trustee determines that a Participating Plan should withdraw from the Trust, the Trustee may, in its discretion, (i) immediately withdraw all Units attributable to the Participating Plan from the Trust as of the first Valuation Date following receipt of such notice or determination and (ii) distribute such Units in the same manner as provided in this Article V.

## ARTICLE VI

### Fees and Expenses

- 6.1 Fees and Expenses of the Trust. The Trustee may charge and pay from the Fund and/or each Class of the Fund, as the case may be, reasonable compensation for its services in managing and administering the Fund (which may include, without limitation, any fees or other charges payable to a sub-advisor or other service provider that are borne by the Trustee) in accordance with such fee schedules as the Trustee may, from time to time establish; provided that the Trustee shall not charge any fee for the management of the Trust or any Fund in addition to such fees as the Trustee shall be entitled to charge to and receive directly from, or with respect to, each Participating Plan for the management and other services it undertakes to provide each such Participating Plan. In addition to the foregoing, each Fund shall also pay any fees and expenses charged to any pooled investment fund, collective investment trust or collective investment fund, registered or unregistered investment company or other investment vehicle in which the Fund may have invested, including without limitation, a vehicle managed by the Trustee or any affiliate of the Trustee, to the extent permitted by applicable law. Any expenses incurred by the Trustee in the performance of its duties, including but not limited to fees for legal and auditing services rendered to the Trustee, fees and other expenses incurred in connection with custody services provided by a depository referred to in Section 7.1 hereof and all other proper charges and disbursements of the Trustee shall be paid from each Fund (and Classes of Units therein) in such equitable proportion as may be determined by the Trustee. Notwithstanding the foregoing, the Trustee may also charge to a particular Class of a Fund any expense, claim or charge to be specifically allocated to such Class. The allocation of expenses by the Trustee shall be conclusive and binding on all affected persons. All taxes of any and all kinds whatsoever that may be levied or assessed under existing or future laws upon or in respect of each Fund or the income thereof shall be a charge against such Fund. Any expenses incurred by the Trustee for pricing,

bookkeeping or any other related recordkeeping fees for a Fund (or a Class of Units therein) may, in the discretion of the Trustee, be paid from such Fund. Fees and expenses incurred by Liquidating Accounts and Transition Accounts shall be determined and charged as set forth in Section 8.6.

- 6.2 Fees and Expenses Chargeable to Participating Plans. Notwithstanding any provision herein to the contrary, the Trustee may, in its sole discretion, charge a Participating Plan with (i) any brokerage fees and other fees and expenses (including, but not limited to, settlement, stamp taxes, duty, stock listing, attorneys' fees, auditing fees and related expenses and expenses such as market impact and market timing costs as may be determined by the Trustee) incurred in connection with the purchase or sale of securities relating to or arising out of the deposit of assets in a Fund or the withdrawal of assets from a Fund by such Participating Plan or (ii) any fee charged for the management of any Fund. Such charge may be effected either by a corresponding adjustment in the number of Units of such Fund credited to such Participating Plan or by a direct assessment against such Participating Plan.
- 6.3 Fees and Expenses Chargeable to Participants. Notwithstanding any provision herein to the contrary, the Trustee may, in its sole discretion, charge a fee, in an amount determined by the Trustee, against the interest in any Fund of any participant or beneficiary in a Participating Plan, to the extent that the Trustee, in its sole discretion, determines that any adverse market impact, market timing or excessive/disruptive trading costs, as may be determined by the Trustee, may be incurred by the Fund in connection with the purchase or sale of securities relating to or arising out of the deposit of assets in a Fund or the withdrawal of assets from a Fund by such participant or beneficiary. Such fee or charge shall be affected by a corresponding adjustment in the number of Units of such Fund credited to the account of such participant or beneficiary or by a direct assessment against the account of such participant or beneficiary.

## ARTICLE VII

### Concerning the Trustee

- 7.1 Powers of the Trustee. The Trustee shall have the rights, powers, and privileges of an absolute owner in the management and administration of the Funds established pursuant to this Declaration of Trust. In furtherance and not in limitation of the powers otherwise specified in this Declaration of Trust, but subject to the Characteristics of a Fund and applicable law, the Trustee shall have the following discretionary powers:
- (a) To sell, exchange, convey, transfer or otherwise dispose of and grant options with respect to any property held in the Trust from time to time, by private contract or at public auction, for cash or on credit, and no person dealing with the Trustee shall be bound to see to the application of the money or other property delivered to it or to inquire into the validity, expediency or propriety of any such sale or other disposition.
  - (b) To vote upon any stocks, bonds, or other securities; to give general or special proxies or powers of attorney with or without power of substitution; to exercise any conversion privileges, subscription rights or other options and to make any payments incidental thereto; to consent to or otherwise participate in corporate reorganizations or other changes affecting corporate securities and to pay any assessments or charges in connection therewith.

- (c) To make commitments either alone or in company with others to purchase at any future date any property permitted under Article III hereof.
- (d) To purchase part interests in real property or in mortgages on real property, wherever such real property may be situated, with the right to take title in its name individually, in its fiduciary capacity, or in the name of a nominee either alone or jointly with the holder or holders of other part interests therein or their nominees.
- (e) To lease to others for any term without regard to the duration of the Trust any real property or part interest in real property held by it.
- (f) To delegate to a manager or the holder or holders of a majority interest in any real property or mortgage on real property the management and operation of any part interest in such real property or mortgage held by the Trustee and the authority to sell such real property or mortgage or otherwise carry out the decisions of such manager or holder or holders of such majority interest.
- (g) To make, execute, acknowledge and deliver any and all documents of transfer and conveyance and any and all other instruments that may be necessary or appropriate to carry out the powers herein-granted.
- (h) To register any securities held in the Trust in its own name or in the name of a nominee and hold any security in bearer form, and to combine certificates representing such securities with certificates of the same issue held by the Trustee in other fiduciary capacities or to deposit or to arrange for the deposit of such securities in any qualified central depository which is a national, state or, subject to the requirements of Section 3.3 hereof, chartered bank or trust company even though, when so deposited, such securities may be merged and held in bulk in the name of the nominee of such depository with other securities deposited therein by any other person, but the books and records of the Trustee shall, at all times, show that all such securities are part of the Trust.
- (i) To employ suitable agents, accountants, consultants, custodians (including foreign custodians), and counsel and, subject to applicable law, to pay their reasonable compensation and expenses out of the Funds.
- (j) Generally to exercise any of the power of an owner with respect to stocks, bonds, securities or other property held in the Trust.
- (k) To organize and own one or more corporations for the exclusive purpose of holding title to any property of this Trust, collecting income therefrom, and turning over the entire amount thereof, less expenses, to the Trustee.
- (l) To settle, compromise or abandon all claims and demands in favor of or against the Trust or any Fund
- (m) To purchase, sell, hold and generally trade and deal in and with all derivative instruments, including, but not limited to, futures contracts, option contracts, swap agreements and currency forward contracts and, in connection therewith, to deposit any property as collateral with any agent.

- (n) To grant, purchase, offset, exercise, permit to expire, permit to be held in escrow, and otherwise to acquire, dispose of, hold and generally trade and deal in any manner with all forms of options in any combination, and in connection therewith to deposit any property as collateral with any agent.
- (o) To loan securities held by any Fund in accordance with such regulations or exemptions with respect to such activity as may be promulgated from time to time by the Secretary of Labor pursuant to ERISA.
- (p) To borrow funds and in connection with any such borrowing to issue notes or other evidences of indebtedness, to secure such borrowing by mortgaging, pledging, or otherwise subjecting the Fund assets to security interests, to lend Fund assets, to endorse or guarantee the payment of any notes or other obligations of any person, and to make contracts of guaranty or suretyship, or otherwise assume liability for payment thereof.
- (q) To incur and pay out of the assets of a Fund or Class of a Fund any charges, taxes, and expenses which in the opinion of the Trustee are necessary or incidental to, or in support of, the carrying out of any of the purposes of this Declaration of Trust or the Declaration of Separate Fund applicable to such Fund or Class of a Fund (including, but not limited to, the compensation of custodians, investment advisers, investment managers, the valuation committees or agents, depositories, pricing agents, accountants, attorneys, brokers and broker-dealers, and other agents, whether or not, but subject to applicable law, some or all of these are affiliates of the Trustee).
- (r) To utilize such means of communication as the Trustee deems appropriate, including without limitation telephonic and electronic communications of all kinds (such as electronic mail), and to accept and recognize instructions and signatures (and all other forms of validation) in electronic or other format.
- (s) To do all other acts which in its judgment are reasonably necessary or desirable for the proper administration of the Trust and each of the Funds even though the power to do such acts is not specifically set forth herein.

In construing the provisions of this Declaration of Trust, the presumption shall be in favor of a grant of power to the Trustee. Such powers of the Trustee may be exercised without order of or resort to any court or governmental authority or agency, and without the posting of any bond or collateral by the Trustee.

7.2 Audits and Reports. As of the close of each Fiscal Year, the Trustee shall cause independent certified public accountants responsible only to the Board of Directors of the Trustee to audit the operations of the Funds for such Fiscal Year. The report of such audit shall be available for inspection during regular business hours by any current or former Plan Fiduciary or by any person designated by any current or former Plan Fiduciary. The expenses of such audit shall be paid from each Fund in such equitable proportion as may be determined by the Trustee.

7.3 Records and Accounts. Annually, within a reasonable period after the close of each Fiscal Year, and within ninety (90) days after removal or resignation of the Trustee, the Trustee shall furnish a written account of the operation of each Fund for the preceding Fiscal Year, or for the period from the close of the last Fiscal Year to the date of such removal or resignation, to the Plan Fiduciary of each Participating Plan having an interest in the Fund to which the account relates and to any

other party with which the Trustee must file an accounting with respect to a Participating Plan. Any person to whom such an account of the Trustee is furnished may approve such account by an instrument in writing delivered to the Trustee. If objections to specific items in such account are filed with the Trustee within sixty (60) days after the account has been furnished and the Trustee believes such objections to be valid, the Trustee may adjust the account in such manner as it deems equitable under the circumstances. Each person to whom the Trustee furnishes an account shall be notified by the Trustee of any adjustments so made. If:

- (a) all persons to whom such account is furnished approve such account, or
- (b) no objections to specific items in such account are filed with the Trustee within sixty (60) days after the account has been furnished, or
- (c) the Trustee shall give notice of an adjustment of the account and no objections to specific items in such account, as adjusted, are filed with the Trustee within sixty (60) days after notice of such adjustment has been furnished, then and in any said events, the account of the Trustee with respect to all matters contained therein (as originally furnished if no adjustment was made, or as adjusted if an adjustment was made), shall be deemed to have been approved with the same effect as though judicially approved by a court of competent jurisdiction in a proceeding in which all persons interested were made parties and were properly represented before such court. The Trustee, nevertheless, shall have the right to have its accounts settled by judicial proceeding if it so elects, in which case the only necessary parties shall be the Trustee and each person to whom the Trustee furnishes an account.

7.4. Trustee's Authority. No person dealing with the Trustee shall be under any obligation to inquire regarding the authority of the Trustee, the validity or propriety of any transaction engaged in by the Trustee, or the application of any payment made to the Trustee.

7.5. Reliance on Experts and Others. The Trustee shall, in the performance of its duties, be fully protected by relying in good faith upon reports made to the Trustee by (a) the custodians, depositories, or pricing agents of the Funds, and (b) any custodians, investment advisers, accountants, attorneys, appraisers or other agents, experts or consultants selected with reasonable care by the Trustee. The Trustee and its officers, employees, and agents may take advice of counsel with respect to the meaning and operation of this Declaration of Trust, any Declaration of Separate Fund or any Characteristics or Description of Classes applicable to a Fund, or with respect to the interpretation and application of law to each Fund and Class thereof, and shall be under no liability for any act or omission in reliance upon such advice. The exercise by the Trustee of its powers and discretion hereunder and the construction in good faith by the Trustee of the meaning or effect of any provisions of this Declaration of Trust, any Declaration of Separate Fund or any Characteristics or Description of Classes shall be binding upon everyone interested.

7.6. Reliance on Communications. The Trustee shall be fully protected in acting upon any writing, instrument, certificate, document, facsimile or electronic mail, reproduction, image or transmission believed by it to be genuine and to be signed, presented or transmitted by the proper person or persons (including, without limitation, participants or beneficiaries under Participating Plans that provide for participant and beneficiary direction of investments). The Trustee shall have no duty to make an investigation or inquiry as to any statement contained in any such writing or transmission, but may accept the same as conclusive evidence of the truth and accuracy of the



statements therein contained. Notwithstanding anything to the contrary contained herein, any such writing, instrument, certificate or document may be proved by original copy or reproduced copy thereof, including without limitation a photocopy, a facsimile transmission, an electronic image or any other electronic reproduction and the Trustee may rely on the same as if it had received the original signed writing, instrument, certificate or document. The Trustee may, in its sole discretion, give the same effect to a telephonic instruction, voice recording, or any instruction received through electronic commerce or other electronic means as it gives to a written instruction, and the Trustee's action in doing so shall be protected to the same extent as if such telephonic or electronic instructions were, in fact, a written instruction. Any such instruction may be proved by audio-recorded tape, electronic reproduction or other means acceptable to the Trustee, as the case may be. If the Trustee receives instructions or other information that are, as determined by the Trustee in its sole discretion, incomplete or not clear, the Trustee may request instructions or other information from the Plan Fiduciary. Pending receipt of any such instructions or other information, the Trustee shall not be liable to anyone for any loss resulting from delay, action or inaction on the part of the Trustee.

- 7.7 Action by Trustee. The Trustee may exercise its rights and powers and perform its duties hereunder through such of its officers and employees as shall be authorized to perform such functions by the Trustee's board of directors, or any duly appointed committee of the Trustee, through general or specific resolutions. However, the Trustee solely shall be responsible for the performance of all rights and responsibilities conferred on it as Trustee hereunder, and no such officer or employee individually shall be deemed to have any fiduciary authority or responsibility with respect to any Fund, except as otherwise provided by applicable law, including ERISA.

## ARTICLE VIII

### Liquidating Accounts and Transition Accounts

- 8.1 Establishment.

- (a) The Trustee may in its discretion, from time to time, transfer to a Liquidating Account any illiquid, impaired, or defaulted investment of any Fund, or any investment of a Fund that the Trustee determines is not readily capable of being correctly, accurately, and/or appropriately valued. Each such Liquidating Account shall be maintained and administered solely for the ratable benefit of the Participating Plans interested in the Fund from which such asset is transferred at the time such Liquidating Account is established. The primary purpose of Liquidating Accounts shall be to facilitate the liquidation and pricing of the assets contained therein, but the period during which the Trustee may continue to hold any such assets shall rest in its discretion.
- (b) In addition, the Trustee may in its discretion, from time to time, establish one or more Transition Accounts related to a Fund to hold cash, securities, or other assets received from, and other investments made for the benefit of, one or more specific Participating Plans, pending the investment of such deposits in securities or other investments which the Trustee considers suitable for such Fund, or in connection with the distribution or withdrawal of cash, securities, or other investments held for the benefit of the Participating Plans having an interest in such Transition Account, or for such other purposes as the Trustee shall deem appropriate. Each Transition Account shall be maintained solely for the ratable benefit of the Participating Plans whose cash, securities, or other assets has been deposited therein.

- 8.2 Additional Powers and Duties of Trustee. The Trustee shall have, in addition to all of the powers granted to it by law and by the terms of this Declaration of Trust, each and every discretionary power of management of the assets contained in a Liquidating Account or a Transition Account (and of all proceeds of such assets) which the Trustee shall deem necessary or convenient to accomplish the purposes of such Liquidating Account or Transition Account. At the time of the establishment of a Liquidating Account or a Transition Account, and upon each deposit of additional money to such Transition Account, the Trustee shall prepare a schedule showing the interest of each Participating Plan therein. When the assets of such Liquidating Account or Transition Account shall have been completely distributed, such schedule shall be thereafter held as part of the permanent records of the Fund to which the Liquidating Account or Transition Account relates. The Trustee shall include in any report of audit for a Fund a report for each related Liquidating Account and Transition Account established hereunder. For purposes hereof, the value of assets transferred to or held in a Liquidating Account or Transition Account (and the beneficial interest of any Participating Plan therein) may be based upon value as provided in Section 4.2, or amortized cost, or book value, as determined by the Trustee in its discretion.
- 8.3 Limitation on Contributions to Liquidating Account. No further contributions shall be made to any Liquidating Account, except that the Trustee shall have the power and authority, if in the Trustee's reasonable opinion such action is advisable for the protection of any asset held therein, to borrow money from others to be secured by the assets held in such Liquidating Account and to give and renew such note or notes therefore as the Trustee may determine.
- 8.4 Distributions. The Trustee may make distributions from a Liquidating Account in cash or in kind or partly in cash and partly in kind, and, except as otherwise provided in the Declaration of Separate Fund for the Fund or Class to which such Liquidating Account relates, the time and manner of making all such distributions shall rest in the sole discretion of the Trustee; provided that all such distributions as of any one time shall be made ratably and on the same basis among the Participating Plans beneficially interested in such Liquidating Account. Income, gains, and losses attributable to a Liquidating Account or Transition Account shall be allocated among the Participating Plans having an interest therein, in proportion to the beneficial interest of each such Participating Plan in such Liquidating Account or Transition Account. Notwithstanding anything to the contrary elsewhere herein, with respect to a Transition Account established to pay the Participating Plan for the withdrawal of Units from the Fund pursuant to Section 5.3 hereof, the Trustee shall have satisfied its obligation to the Participating Plan to pay the amount due upon redemption as long as (i) the Trustee has transferred to the Transition Account, as soon as reasonably practicable after the applicable Valuation Date which has established the value of the Units of the Fund so redeemed, securities and other assets with a Fair Value as of the applicable Valuation Date before consideration of applicable transaction costs (as described in Section 8.6) equal to the value of the Units so redeemed, and (ii) the Trustee pays out to the Participating Plans, on a pro rata basis in accordance with the number of Units owned by such Participating Plans, the net proceeds realized upon the sale, disposition, or liquidation of the securities and assets in such Transition Account as provided in this Section, after applying allocable expenses and satisfying any obligations, within a reasonable time after the sale, disposition or liquidation of such securities and other assets by such Transition Account.
- 8.5 Effect of Establishing Liquidating Accounts and Transition Accounts. After an asset of a Fund has been set apart in a Liquidating Account or when assets of one or more Participating Plans are held in a Transition Account, such assets shall be subject to the provisions of this Article, but such assets shall also be subject to all other provisions of this Declaration of Trust insofar as the same shall be applicable thereto and not inconsistent with the provisions of this Article. For the

purpose of deposits to and withdrawals from a Fund, and for purposes of determining the value of the Units of a Fund and the income, gains, or losses of a Fund that are allocated among Participating Plans pursuant to the other provisions of this Declaration of Trust, the value, income, gains, or losses of any assets held in any Liquidating Account or Transition Account shall be excluded. As of any subsequent Valuation Date selected by the Trustee in its sole discretion, any assets held in a Transition Account may be valued in accordance with Section 4.2 and transferred by the Trustee to the appropriate Fund, in which event the Participating Plans with an interest in such Transition Account shall, on a pro rata basis, be allocated such number of Units with respect to such Fund as would be issued if the assets so transferred were treated as a deposit to the Fund in accordance with the applicable provisions of Article IV. The Participating Plans with a beneficial interest in any Liquidating Account or Transition Account shall bear market, credit, or other investment risks with respect to the assets held by such Liquidating Account or Dedicated Account

- 8.6 Fees and Expenses. Each Liquidating Account and Transition Account shall be charged with the fees and expenses attributable to the administration and management of such account and with regard to the purchase, sale or other disposition of securities and other assets held in any such Liquidating Account or Transition Account (including, without limitation, brokerage fees, settlement charges, stamp taxes, duty, stock listing and related expenses, attorneys' fees and auditing fees) and any other fees and expenses such as market impact and market timing costs as may be determined by the Trustee. Such Liquidating Accounts and Transition Accounts shall remain as part of the assets of the applicable Fund or Class or Classes for purposes of determining the fee payable to the Trustee in accordance with such fee schedule as may apply from time to time, and with regard to any other fees and expenses otherwise attributable to the applicable Fund or Class or Classes, as the case may be.

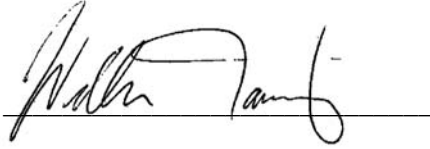
## ARTICLE IX

### Amendment and Termination

- 9.1 Amendment. This Declaration of Trust, any Declaration of Separate Fund, or any Description of Classes may be amended from time to time by a resolution of the Board of Directors of the Trustee. No amendment shall become effective until the day following a Valuation Date which is not less than sixty (60) days after a copy of such amendment shall have been furnished to the Plan Fiduciary of each Participating Plan; provided, however, that any amendment which is adopted for the purpose of complying with any restriction imposed, or using any latitude granted, by any applicable statute or regulation, or any amendment thereof, or any amendment that the Trustee determines in its discretion will not have a material or adverse effect on affected Participating Plans, may be declared to take effect as of the effective date of such amendment, including retroactively. No approval or consent shall be required from the affected Participating Plans to effect any amendment. Any amendment adopted by the Trustee shall be binding upon each Participating Plan and all persons interested therein. In no event shall any amendment either directly or indirectly operate to deprive any Participating Plan of its beneficial interest under the Trust as it is then constituted.
- 9.2 Termination. The Trustee may terminate any Fund, any or all Classes of a Fund, or this Trust, as of any Valuation Date, without advance notice, by withdrawal from the Fund and each Class with respect thereto, or each terminated Class, or all of the Funds, as the case may be, and distribution of Units from such Fund, Class, or Funds in the same manner as provided in Article V.

- 9.3 Merger of Funds. As of any Valuation Date, the Trustee may cause any Fund to be merged with or into any other collective investment trust (including, without limitation, any other Fund or other collective investment trust maintained by the Trustee or any of its affiliates). If such Fund does not survive such merger, the Participating Plans in such Fund shall, as of the date of such merger, receive beneficial interests in the surviving collective investment trust, in exchange for the Units of such Fund held by such Participating Plans immediately prior to such merger. In connection with any merger pursuant to this Section, Units in such Fund or Units in such other collective investment trust shall be valued on such reasonable basis as may be determined by the Trustee or the trustee of the other collective investment trust, as the case may be. The Trustee shall provide the Participating Plans subject to any such merger written notice of any such merger, which notice shall be provided at least 30 days prior to the merger; provided, however that if the Trustee determines that such merger will not have a material or adverse effect on affected Participating Plans, the effective date of such merger may be any date on, before, or after such notice. The Trustee or any successor Trustee shall not be required to obtain the approval or consent of any Participating Plans in connection with any such merger.
- 9.4 Merger. Any corporation or trust company into which the Trustee may merge, or with which it may be consolidated, or to which substantially all of its assets may be transferred, shall be the successor trustee of this Trust and shall have all the power and duties herein conferred upon the Trustee without the execution or filing of any additional instrument or the performance of any additional act.
- 9.5 Notices. The Trustee shall give written notice of any amendment or merger (to the extent required by Section 9.1 or Section 9.3, as applicable), or of the termination of a Fund or any Class of a Fund, to the Plan Fiduciary of each affected Participating Plan. Any such notice or other notice or communication required or permitted hereunder shall be deemed to have been given at the time the Trustee (a) delivers the notice personally, (b) mails the notice first class, postage prepaid, registered or certified, (c) delivers the notice by overnight courier, (d) transmits the notice by telecopier or facsimile transmission, or (e) transmits the notice electronically, including without limitation by means of electronic mail or other electronic means, in each case to the current address, facsimile number, internet address, website or other electronic address of the appropriate recipient as shown on the Trustee's records. Notices or communications required or permitted hereunder may be provided as part of any financial reports provided by the Trustee hereunder. The Trustee shall not be required to provide notice of any amendment or termination of a Fund or any Class of a Fund to any Plan Fiduciary of a Participating Plan if such Participating Plan is not participating in such Fund.

The undersigned, Assistant Secretary of Pyramis Global Advisors Trust Company, does hereby certify that the above Declaration of Trust was duly adopted by Pyramis Global Advisors Trust Company as Trustee of the Pyramis Group Trust for Employee Benefit Plans, and that it is a true and accurate copy of that on file with the Trustee.



William Taussig  
Assistant Secretary

## **APPENDIX A**

### **PYRAMIS GROUP TRUST FOR EMPLOYEE BENEFIT PLANS**

#### **SPECIAL PROVISIONS RELATING SOLELY TO SHORT-TERM INVESTMENT FUNDS**

- A.1. Establishment of STIFs. This Appendix establishes special rules governing the establishment and operation of Funds which are short-term investment funds (each a “STIF”). The Declaration of Separate Fund that establishes a STIF shall state that the Fund established thereunder is a STIF, in which case such Fund shall be subject to the following provisions and, to the extent not inconsistent with this Appendix, the generally applicable provisions of the Declaration of Trust.
- A.2. Investment of STIF Assets. Each STIF shall maintain a dollar-weighted average portfolio maturity of 90 days or less, shall hold the Fund’s assets until maturity under usual circumstances, and shall be invested and reinvested primarily in the following investments, irrespective of whether such securities or such property are of the character authorized by any state law from time to time for trust investments, and without regard to the proportion any such property or interest may bear to such STIF: bonds, debentures, notes (including structured notes), mortgages, commercial paper, money market instruments, and all other evidences of indebtedness or ownership, trust and participation certificates, certificates of deposit, demand or time deposits (including any such deposits bearing a reasonable rate of interest in the banking department of any Affiliate), bankers’ acceptances, variable and indexed interest notes and investment contracts, swap contracts, repurchase agreements and reverse repurchase agreements, variable rate notes, beneficial interests in any trusts (including structured trusts), equipment trust certificates, foreign currencies, contracts for the immediate or future delivery of currency, financial instruments, securities, or other assets or property, options on futures contracts, spot and forward contracts, puts, calls, straddles, spreads, or any combination thereof. Such investments may be made directly or indirectly by the STIF’s investment in interests or shares of investment funds having investment characteristics similar to those of the STIF, including, without limitation, limited partnerships, limited liability companies, or other companies, trusts, or other entities, whether registered or exempt or excepted from registration under the Investment Company Act, or collective investment trusts which are exempt from tax under applicable Internal Revenue Service rulings and regulations (including, without limitation, any collective investment trust maintained by the Trustee or any of its affiliates under Revenue Ruling 81-100) (and while the assets are so invested, such collective investment trusts [and the instruments pursuant to which such trusts are established] shall constitute a part of the Declaration of Trust with respect to the STIF that holds such interest).
- A.3. Valuation of STIF Assets. With regard to a STIF, “Valuation Date” shall mean each Business Day, except as otherwise provided in the applicable Declaration of Separate Fund or as determined by the Trustee pursuant to the provisions of the Declaration of Trust. Assets of each STIF shall be valued in accordance with the amortized cost method, using such STIF’s acquisition cost for such assets as adjusted for amortization of premium or accretion of discount on a straight-line basis; provided that this rule shall not apply if the Trustee determines that the special circumstances described in Section 6 hereof are present and require or permit, as the case may be, application of the rules set forth therein.

- A.4. Valuation of STIF Units. The Units of each STIF shall be valued and the income of each STIF shall be apportioned in the following manner. The value of each Unit of a STIF shall be one dollar (\$1.00) (or such other constant amount as the Trustee may specify). As of the close of business on each Valuation Date, all net income and net realized gains of a STIF, as determined by the Trustee in its reasonable discretion, in accordance with rules intended to account for charges and expenses payable by such STIF and, to the extent practicable, to preserve the Unit value of such STIF at one dollar (\$1.00) (or such other constant amount as the Trustee may specify from time to time) shall be allocated among the Participating Plans in such STIF in proportion to the number of Units of each Participating Plan in such STIF and shall be reinvested on behalf of each such Participating Plan in new Units of such STIF.
- A.5. Deposits in and Withdrawals from a STIF. The Trustee may designate from time to time the Valuation Dates as of which deposits in, and withdrawals from, a STIF may be made. The Trustee may from time to time establish rules for deposits which provide that a Participating Plan shall not participate in the net income of a STIF with regard to the amount being deposited by such Participating Plan unless and until such deposit satisfies such requirements as the Trustee may specify with regard to the time and manner of such deposit. The Trustee may, in its sole discretion, accept deposits in a STIF in a form other than money, provided that such deposits shall be in assets that are permissible investments for such STIF and that such assets shall be valued as provided in Section A.4 or Section A.6 hereof, as applicable. In any case in which the Trustee, in its sole discretion, makes a distribution from a STIF (partly or wholly) in kind, the assets so distributed shall be valued as provided in Section A.4 or A.6 hereof, as applicable.
- A.6. Special Circumstances. Notwithstanding the preceding provisions of this Appendix or any other provision of the Declaration of Trust or any applicable Declaration of Separate Fund, the following shall apply in the case of the special circumstances described in this Section. The Trustee may determine in its sole discretion that application of some or all of the other provisions of this Appendix and the Declaration of Trust (including, without limitation, where applicable, the rules of Section A.3 and/or A.4) or any applicable Declaration of Separate Fund may cause a material dilution or other unfair result to Participating Plans or Qualified Trusts proposing to acquire Units in a Fund, or an adverse impact on a Fund, and in such event the Trustee reserves the right to adjust the valuation of Units or assets of such Fund, or to take such other action that it deems appropriate to eliminate or reduce such dilution or other unfair result, to the extent reasonably practicable, including, without limitation, reducing or eliminating the amount of income credited to or payable with respect to each Unit of such Fund, or applying net realized losses to offset net realized gains as of the Valuation Date such losses are realized or on subsequent Valuation Dates, or suspending deposits or withdrawals in whole or in part. If the Trustee determines that such action is appropriate to reduce or eliminate the potential for material dilution or other unfair result or an adverse impact on a Fund, one or more Participating Plans or one or more Qualified Trusts proposing to acquire interests in a Fund, then the Trustee may adjust the valuation of the Units of one or more Participating Plans that are being withdrawn as of a Valuation Date, and/or the Units in such Fund that are being credited as a result of a deposit as of a Valuation Date, even though the value of Units of one or more other Participating Plans in the same Fund which are being withdrawn as of such Valuation Date and/or Units in the same Fund which are being credited as a result of a deposit as of such Valuation Date is not so adjusted or is adjusted on a different basis. In determining the fair value of assets of a Fund in the case of special circumstances described in this Section, the valuation rules described in Section 5.02(a), (b), and (c) of this Declaration of Trust shall apply. In addition, the Trustee may determine in its sole discretion from time to time, that preserving the Unit value of a STIF at a constant amount is unfair, impractical, or inappropriate and may allow such value to fluctuate.

- A.7. Termination of STIF. In valuing the Units of a STIF in connection with the termination of such STIF pursuant to Section 9.2 of this Declaration of Trust, the rules of Section A.4 or A.6 hereof shall apply, as applicable.
- A.8. Liquidating Accounts and Dedicated Accounts. If any asset of a STIF is transferred to a Liquidating Account or a Dedicated Account under Article 8, or if assets pending investment in a STIF are deposited in a Dedicated Account under Article 8 of this Declaration of Trust, the assets of such Liquidating Account or Dedicated Account may, in the Trustee's sole discretion, be valued based on the rules of Section A.3 or Section A.6 hereof.



## **APPENDIX B**

### **PYRAMIS GROUP TRUST FOR EMPLOYEE BENEFIT PLANS**

#### **SPECIAL PROVISIONS RELATING SOLELY TO STABLE ASSET FUNDS**

- B.1. Establishment of SAFs. This Appendix establishes special rules governing the establishment and operation of Funds which are Stable Asset Funds (“SAFs”). The Declaration of Separate Fund which establishes a SAF shall state that the Fund established thereunder is a SAF, in which case such Fund shall be subject to the following provisions and, to the extent not inconsistent with this Appendix, the generally applicable rules of this Declaration of Trust.
- B.2. Investment of SAF Assets. Each SAF shall be invested and reinvested primarily in guaranteed investment contracts, group annuity contracts, or funding agreements issued by insurance companies, or investment contracts or certificates of deposit issued by banks or trust companies, or investment arrangements (commonly referred to as “synthetic GICs”) comprising an investment in a set of securities or other assets and a contract (commonly referred to as a “wrapper”) issued by an insurance company, bank, trust company, or other financial institution to provide benefit responsiveness, or a notional principal contract (including any instrument or arrangement commonly known as a “synthetic” or “derivative” investment), in which event such notional principal contract shall include any and all securities or other property underlying such contract, instrument, or arrangement, or any other similar arrangement, and any option, forward, or other contract which entitles or obligates the SAF to enter into any of the foregoing types of contracts or to purchase or dispose of any security underlying any such contract. The assets of a SAF that are investment contracts of insurance companies or banks shall normally be held until maturity.
- B.3. Valuation of SAF Assets. With regard to a SAF, “Valuation Date” shall mean each calendar day, except as otherwise provided in the applicable Declaration of Separate Fund or as determined by the Trustee pursuant to the provisions of the Declaration of Trust. Assets of each SAF shall be valued in accordance with the following rules. Unless the Trustee determines that such valuation would materially differ from fair value, investment contracts and other assets that provide for payments or withdrawals on a contractual basis, and which are non-transferable or with respect to which there is no active trading market, shall be valued at contract or book value or in accordance with the provisions of the investment contract or other governing instrument (including, without limitation, provisions which value assets at book value without adjustment for fluctuations in the prevailing market rate of interest), plus accrued interest and less withdrawals. All other assets shall be valued in accordance with the valuation rules of Section 4.2. Income and expenses shall be deemed to be accrued, received, or paid at an equal rate from day to day, except as otherwise determined by the Trustee.

B.4. Valuation of SAF Units. The Units of each SAF shall be valued and the income of each SAF shall be apportioned in the following manner. The value of each Unit of each SAF shall be one dollar (\$1.00) (or such other constant amount as the Trustee may specify). As of the close of business on each Valuation Date, all net income of each SAF, as determined by the Trustee in accordance with rules intended to preserve the Unit value of such SAF at one dollar (\$1.00) (or such other constant amount as the Trustee may specify) shall be allocated among the Participating Plans in proportion to the number of Units of each Participating Plan in such SAF and shall be reinvested on behalf of each such Participating Plan in new Units of such SAF. With respect to Units of a SAF being withdrawn under Article V, the value of the assets of such SAF shall be adjusted to reflect additional costs, expenses, losses and other factors as determined by the Trustee, in its discretion, to be necessary or appropriate to avoid any material adverse impact caused by such withdrawal on the other Participating Plans. Notwithstanding the foregoing, the Declaration of Separate Fund of a SAF may provide a methodology for valuation of the Units of such SAF that is different from the methodology provided in this Section B.4, so long as the methodology provided in such Declaration of Separate Fund is consistent with applicable law.

B.5. Deposits in and Withdrawals from SAFs. The Trustee may designate from time to time the Valuation Dates as of which deposits in, and withdrawals from, SAFs may be made. The Trustee may from time to time establish rules for deposits which provide that a Participating Plan shall not participate in the net income of a SAF with regard to the amount being deposited by such Participating Plan unless and until such deposit satisfies such requirements as the Trustee may specify with regard to the time and manner of such deposit. The Trustee may, in its sole discretion, accept deposits in a SAF in a form other than money, provided that such deposits shall be in assets that are permissible investments for such SAF and that such assets shall be valued as provided in Section B.4 or Section B.6, as applicable. In any case in which the Trustee, in its sole discretion makes a distribution from a SAF (partly or wholly) in kind, the assets so distributed shall be valued as provided in Section B.4 or B.6, as applicable.

The Trustee shall have the right at its option, as of any Valuation Date, to effect the withdrawal of Units of any Participating Plan, if the contributions made by such Participating Plan to one or more SAFs during a period specified by the Trustee are less than a minimum amount determined from time to time by the Trustee. Such Units shall be subject to any adjustment permitted by Section B.4.

B.6. Special Circumstances. Notwithstanding the preceding provisions of this Appendix or any other provision of this Declaration of Trust or any Declaration of Separate Fund, the following shall apply in the case of the special circumstances described in this Section. The Trustee may determine in its discretion that application of some or all of the other provisions of this Appendix and this Declaration of Trust (including, without limitation, where applicable, the rules of Section B.3 and/or Section B.4) or any Declaration of Separate Fund may cause a material dilution or other unfair result to Participating Plans or Qualified Investors proposing to acquire Units in a Fund, or an adverse impact on any Fund, and in such event the Trustee reserves the right to adjust the valuation of Units or assets of such Fund, or to take such other action that it deems appropriate to eliminate or reduce such dilution or other unfair result, to the extent reasonably practicable, including, without limitation, reducing or eliminating the amount of income credited to or payable with respect to each Unit of such Fund, or applying net realized losses to offset net realized gains as of the Valuation Date such losses are realized or on subsequent Valuation

Dates, or suspending deposits or withdrawals in whole or in part. If the Trustee determines that such action is appropriate to reduce or eliminate the potential for material dilution or other unfair result or an adverse impact on any Fund, one or more Participating Plans or Qualified Investors proposing to acquire interests in a Fund, the Trustee may adjust the valuation of the Units of one or more Participating Plans which are being withdrawn as of a Valuation Date, and/or Units in such Fund which are being credited as a result of a deposit as of a Valuation Date, even though the value of Units of one or more other Participating Plans in the same Fund which are being withdrawn as of such Valuation Date and/or Units in the same Fund which are being credited as a result of a deposit as of such Valuation Date is not so adjusted or is adjusted on a different basis. In determining the fair value of assets of any Fund in the case of special circumstances described in this Section, the valuation rules described in Section 4.2(a), (b), and (c) shall apply. In addition, the Trustee may determine in its discretion from time to time that preserving the Unit value of any SAF at a constant amount is impracticable, unfair, or inappropriate and may allow such value to fluctuate.

- B.7. Termination of SAF. In valuing the Units of a SAF in connection with the termination of such SAF pursuant to Section 9.2 of this Declaration of Trust, the rules of Section B.4 or B.6 shall apply, as applicable.
- B.8. Liquidating Accounts and Transition Accounts. If any asset of an SAF is transferred to a Liquidating Account or a Transition Account, or if assets pending investment in an SAF are deposited in a Transition Account under Article 8 of this Declaration of Trust, the assets of such Liquidating Account or Transition Account may, in the Trustee's discretion, be valued based on the rules of Section B.3 or Section B.

## DECLARATION OF SEPARATE FUND

## PYRAMIS SELECT INTERNATIONAL SMALL CAP PLUS COMMINGLED POOL

Effective (October 18, 2010)

Pyramis Global Advisors Trust Company (the "Trustee") hereby establishes a separate fund (the "Separate Fund") pursuant to Section 3.4 of Article III of the Declaration of Trust for the Pyramis Group Trust for Employee Benefit Plans (the "Trust"), established by the Trustee on May 1, 2006, and as amended and restated effective July 1, 2009 and as the same may further be amended from time to time.

The Trustee declares and agrees that this instrument incorporates the terms of the Trust and shall upon its execution constitute a part thereof.

The Separate Fund shall be known as Pyramis Select International Small Cap Plus Commingled Pool (the "Portfolio"). The Portfolio is a commingled pool, dedicated exclusively to the active management of the assets of qualified employee benefit plans (the "Participating Plans"). The Portfolio shall have the following characteristics:

#### I. INVESTMENT OBJECTIVE

The principal investment objective of the Portfolio is to provide excess returns relative to an international small cap index: the MSCI All Country World ex U.S. Small Cap Index (the "Benchmark") or any successor to this index. The Portfolio seeks to achieve its return target through active stock selection, while maintaining similar sector and regional weights as those of the Benchmark. The Portfolio primarily invests in securities across the market capitalization range of the Benchmark, however, there is no minimum or maximum capitalization range required either for the individual securities or for the entire Portfolio.

The Portfolio expects to invest in equity securities listed on exchanges in countries included in the Benchmark. Depository receipts may be mapped to their underlying country of the local security.

The Portfolio expects to invest most of its assets in securities of foreign companies in developed as well as emerging markets.

#### II. INVESTMENT EMPHASIS

The Portfolio will follow an active international investment style. The primary emphasis will be providing excess returns relative to the Benchmark.

#### III. PORTFOLIO GUIDELINES

##### A. Universe

The Portfolio may invest in all types of small capitalization equity securities (which may be denominated in local currencies or U.S. dollars) including common and capital stock, shares issued by investment companies, securities convertible into common stock, and depository receipts (ADR's, Global, or other types of depository receipts) for these securities. The Portfolio

may also invest in any type or quality of fixed income security for defensive purposes, for funds awaiting reinvestment, or where the anticipated returns from such investments are viewed as attractive relative to the returns in equity securities. The Portfolio may purchase, sell, hold and generally trade and deal in and with all options and futures contracts on foreign equity indices within the relevant country universe, and in connection therewith deposit any property as collateral with any agent.

The Portfolio may engage in currency hedging for defensive purposes. The Portfolio may enter into currency transactions with counter parties determined to be creditworthy by the Trustee. Currency transactions may include currency forward contracts, exchange listed currency futures contracts, exchange listed and OTC options on currencies, and currency swaps.

B. Investment Guidelines

Except during the initial investment phase and during the liquidation of the Portfolio, the Portfolio will follow the guidelines listed below, which will apply at the time of purchase of securities. Subsequent changes in the market value of securities will not require the Portfolio to liquidate any position.

1. The purchase of securities of any issuer at the time of purchase will be limited to either 10% of the Portfolio's net asset market value or the weight of the issuer in the Benchmark plus 2%, whichever is greater.

IV. **CHANGES IN PORTFOLIO INVESTMENT OBJECTIVES AND GUIDELINES**

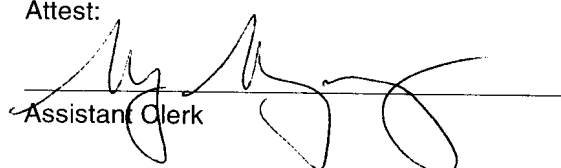
The Trustee may make changes from time to time in the Portfolio's objectives and guidelines. Sixty (60) days prior notice of any such change or revision must be provided to the Applicable Fiduciary of each Participating Plan holding Units of the Portfolio.

IN WITNESS WHEREOF, this instrument has been executed at Smithfield, Rhode Island as of this (18) th day of October, 2010, by Pyramis Global Advisors Trust Company as Trustee of the Pyramis Group Trust for Employee Benefit Plans and its seal affixed and attested by its duly authorized officers.

PYRAMIS GLOBAL ADVISORS TRUST COMPANY

By:   
Officer/Director

Attest:

  
Assistant Clerk

PARTICIPATION AGREEMENT FOR THE PYRAMIS GROUP TRUST FOR EMPLOYEE BENEFIT PLANS (GOVERNMENT DB PLAN VERSION)

This AGREEMENT entered into as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the fiduciary designated below ("Applicable Fiduciary"), on behalf of the \_\_\_\_\_ (the "Plan"), sponsored by \_\_\_\_\_ (the "Employer"), and PYRAMIS GLOBAL ADVISORS TRUST COMPANY (the "Manager"), a New Hampshire Trust Company.

For purposes of this Agreement, the Applicable Fiduciary shall be (select one only and type in the full legal name):

- ☐ Employer: \_\_\_\_\_
☐ Trustee: \_\_\_\_\_
☐ Administrator: \_\_\_\_\_

WITNESSETH:

WHEREAS, the Company has established and continues to maintain the Plan and a related trust (the "Trust") for the purpose of providing retirement and other benefits to certain of its employees;

WHEREAS, the Plan and Trust provides for the appointment by the Applicable Fiduciary of an investment manager;

WHEREAS, the Applicable Fiduciary desires that the Manager serve as investment manager with respect to certain of the assets held by the Trust,

WHEREAS, the Manager maintains and serves as trustee of the Pyramis Group Trust for Employee Benefit Plans (the "Group Trust") (including each separate collective investment fund established as a "Portfolio" of the Group Trust) pursuant to the Declaration of Trust, as amended and restated effective as of July 1, 2009 (the "Declaration of Trust"), as a medium for the collective investment of tax-qualified retirement trusts and certain eligible governmental plans (defined as "Qualified Investors" in the Declaration of Trust);

WHEREAS, the Applicable Fiduciary has authority to direct investments for the Trust, and desires that each Portfolio of the Group Trust specified on Schedule A attached hereto and such additional Portfolios as may hereafter be added to this Participation Agreement by written agreement (which may be effected through electronic means) of the Applicable Fiduciary and the Manager (collectively referred to herein as the "Designated Portfolios" and each, a "Designated Portfolio") be made available as investments for the Trust in accordance with this Agreement;

WHEREAS, the Manager desires to accept the Plan and Trust as a "Participating Plan" of each Designated Portfolio, subject to the terms and conditions of this Participation Agreement and the Declaration of Trust;

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein contained, the Applicable Fiduciary and the Manager do hereby agree as follows:

1. Appointment of Investment Manager: Effective as of the date first above written, the Applicable Fiduciary pursuant to the power granted by the Plan and Trust, hereby appoints the Manager, and the Manager hereby accepts the appointment, as investment manager with respect to those Trust assets transferred by the Applicable Fiduciary to the Manager subject to this Agreement (hereby collectively referred to as the "Account").
2. Investment Authority: The Manager's authority hereunder to manage the assets in the Account shall be limited to making investments in the Designated Portfolio(s). Each Designated Portfolio is a separate investment portfolio of the Group Trust operated and managed by the Manager as trustee and investment manager of the Group Trust in accordance with the investment objectives, guidelines and restrictions set forth in the applicable Declaration of Separate Fund for each Designated Portfolio. The Applicable Fiduciary acknowledges that it has received from the Manager a copy of the Declaration of Trust and the Declaration of Separate Fund for each Designated Portfolio, and understands its rights and responsibilities thereunder. Notwithstanding any other provision of this Agreement to the contrary, the powers and duties of the Manager under this Agreement shall be governed by the terms of the applicable Declaration(s) of Separate Fund and by the terms of the Declaration of Trust, which are hereby adopted as part of the Plan and Trust and this Participation Agreement. In the event of any inconsistency between this Participation Agreement and the Declaration of Trust with respect to the Trust's investment in any Designated Portfolio, the Declaration of Trust shall control.
3. Performance of Duties - Standard of Care: The Manager shall comply with all laws and regulations issued from time to time by any governmental or administrative or other body which relate to the discharge of its duties under this Agreement and shall discharge such duties: (i) solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan; (ii) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; (iii) by diversifying the investments in the Account so as to minimize the risk of large losses to the extent consistent with the Applicable Fiduciary's direction in Section 2 above (it being understood that the assets of the Account shall be invested in the Designated Portfolio(s) as set forth in Schedule A and that the Applicable Fiduciary or other fiduciary shall remain responsible for the diversification of the assets of the Plan as a whole); and (iv) in accordance with the documents and instruments governing the Plan, as communicated to the Manager insofar as such documents and instruments are consistent with the provisions of applicable law and this Agreement.
4. Directions From The Applicable Fiduciary: Schedule D sets forth the individuals who have been designated by the Applicable Fiduciary as authorized to communicate directions, instructions, or other notices required or permitted under this Participation Agreement and/or the Declaration of Trust to the Manager on its behalf. The Applicable Fiduciary may change such designated individuals from time to time upon ten days' prior written notice to the Manager. The Manager shall be protected fully in relying on and proceeding in accordance with any such direction, instruction or notice.

5. Management Fee: For investment management services under this Agreement, the Manager shall be entitled to receive an investment management fee in accordance with the Investment Management Fee Schedule described in Schedule A attached hereto.
6. Administrative Fee and Other Expenses: The Designated Portfolio(s) will pay a separate administrative fee (as set forth on Schedule B) to the Manager, or an affiliate of the Manager, for pricing and bookkeeping services provided to the Designated Portfolio(s) by the Manager or its affiliate. Designated Portfolio(s) that invest in other Portfolio(s) established by the Trustee under the Group Trust or other collective investment vehicle(s) maintained by the Manager will pay a pro rata share of the administrative fee charged to the underlying Portfolio(s) or vehicle(s) via their ownership of an interest in the underlying Portfolio(s) or vehicle(s). The Portfolio(s) of the Group Trust also will pay other normal operating expenses, including, without limitation, custodian and servicing expenses, auditor expenses and legal expenses.
7. Liability: The Manager shall be responsible only for managing the Account in accordance with the limited authority described in Section 2. The Manager shall have no responsibility whatsoever for and shall incur no liability on account of (i) the selection by the Applicable Fiduciary of such limited investment objectives for the Account, including the determination that such objectives are consistent with the requirements of any law applicable to the Plan and Trust, or (ii) the management of any other asset of the Trust. The Manager shall have no responsibility for (i) the acts or omissions of the Applicable Fiduciary, the trustee(s) of the Trust, or any other fiduciary or service provider to the Plan and Trust, or (ii) any loss, cost, liability or expense resulting from anything done or omitted to be done in good faith reliance on any written instructions from the Applicable Fiduciary or any authorized representative thereof.
8. Acknowledgment of Fiduciary Status: The Manager hereby acknowledges that it is a fiduciary with respect to the Plan and represents that it is a bank within the meaning of Section 202 (a)(2) of the Investment Advisors Act of 1940.
9. Plan Information and Qualified Status: Identifying plan information is attached hereto as Schedule C. The Applicable Fiduciary hereby represents and warrants to the Manager that the Plan is a governmental plan as defined in Sections 401(a)(24) and 818(a)(6) of the Internal Revenue Code of 1986, as amended, which has been established by the Employer for the exclusive benefit of its employees or their beneficiaries for the purpose of distributing to such employees or beneficiaries the corpus and income of the funds accumulated under such plan, and pursuant to which plan it is impossible, prior to the satisfaction of all liabilities with respect to such employees and their beneficiaries, for any part of the corpus or income to be used for, or diverted to, purposes other than the exclusive benefit of such employees or beneficiaries. The Applicable Fiduciary shall notify the Manager promptly if it should be determined at any time that the foregoing representation is not true.
10. Additional Warranties, Representations, and Covenants of the Applicable Fiduciary: The Applicable Fiduciary hereby warrants and represents to, and covenants with the Manager and the Group Trust, as follows:
  - (a) The Plan and Trust is established, maintained and administered under one or more documents) or under statutes or regulations that authorize part or all of the Plan assets to be commingled for investment purposes with the assets of other plans in a group trust fund and provide that the group trust shall constitute part of the Plan to the extent of such investment as required by Revenue Ruling 81-100 or any successor ruling;
  - (b) If a sole proprietor or one or more partners is covered by the Plan (a Keogh plan), the Applicable



Fiduciary further represents that the Plan only covers employees of a single employer or interrelated partnerships and that the employer is a firm providing legal, accounting, investment banking, pension consulting, or investment advisory services that involve such knowledge and experience in financial and business matters that it is able to adequately represent the interests of the Plan, or that it has retained sufficient advice from a person who has such knowledge and experience (and is not affiliated with the Manager) that it is able to adequately represent the interests of the Plan.

(c) The Applicable Fiduciary has full power and authority to enter into this Agreement with respect to and on behalf of the Plan for which it is acting hereunder, and this Participation Agreement constitutes the valid and binding obligation of the Plan and Trust, enforceable against the Plan and Trust in accordance with its terms and any approval, authorization or license from any foreign, federal, state or local regulatory authority or agency required on the part of the Plan and Trust has been obtained and any necessary filing with any of the foregoing has been duly made.

(d) The Applicable Fiduciary has considered appropriate factors in connection with participation in each Designated Portfolio (including, without limitation, the overall diversification of the investment portfolio and the prudence of participating in the Designated Portfolio(s)) and has determined that, in view of such considerations, the participation by the Plan and Trust in each Designated Portfolio is consistent with the fiduciary responsibilities of the Applicable Fiduciary under applicable law.

(e) Except to the extent expressly agreed to in writing by the Manager, the Manager has not acted (and will not act) as a fiduciary with respect to any decision by the Applicable Fiduciary to allocate assets of the Plan and Trust to any Designated Portfolio, or to continue any such investment in the future. The Applicable Fiduciary hereby further acknowledges to the Manager that the Plan and Trust may hold assets in other investments that are not part of any Designated Portfolio and agrees that the Manager has no responsibility for the overall diversification of the investment portfolio of the Plan and Trust or for the prudence of participating in the Designated Portfolio(s) in relation to the total portfolio of the Plan and Trust.

(f) The Applicable Fiduciary, on behalf of the Plan and Trust, has completed and executed the Account Information Form in the form attached hereto as Schedule C (which is incorporated herein) and will execute, deliver, acknowledge and file any and all further documents and provide any and all further information (including, without limitation, copies of the organizational instruments of the Trust, the most recent determination letter issued by the Internal Revenue Service with respect to the Plan, and current financial information with respect to the Plan) which the Manager may deem necessary or appropriate in connection with the Trust's investment in any Designated Portfolio or with governmental filings to be made with respect to any Designated Portfolio.

(g) The Plan is not funded by an annuity contract described in Section 403(b) of the Code.

(h) The Applicable Fiduciary agrees promptly to notify the Manager in the event that any of the representations set forth above or in Section 9 or any information provided pursuant to the provisions of this Agreement ceases to be accurate during the term of this Agreement. Until such notice is actually received by the Manager (or until the Manager has actual knowledge thereof), the Manager may rely on the representations contained in, and all other information provided pursuant to or as contemplated by, this Participation Agreement in connection with all matters related to the Designated Portfolios(s) and the Group Trust (including without limitation in connection with Class eligibility and signature authorizations). The Applicable Fiduciary shall be responsible for any cost, liability or expense to the Manager resulting from any failure to comply with the representations provided in Section 9 or this Section 10.

- 11. Accounting: At least once during each period of twelve months, but not more frequently than monthly as agreed upon by the Manager and the Applicable Fiduciary, the Manager shall deliver a written statement to the Applicable Fiduciary showing all investments in the Account, their fair value or market value, as applicable, all additions to and withdrawals from the Account and such other information as the Manager and the Applicable Fiduciary shall agree.
- 12. Confidentiality: Any information or recommendations supplied by the Manager, which are not otherwise in the public domain or previously known to the Applicable Fiduciary in connection with the performance of the Manager's obligations hereunder, are to be regarded as confidential and for use only by the Applicable Fiduciary on behalf of the Plan.
- 13. Assignability: Neither the Manager nor the Applicable Fiduciary may assign this Agreement in whole or in part without first obtaining the written consent of the other party and any attempted assignment or delegation shall be void.
- 14. Termination: This Agreement may be terminated by either party hereto upon thirty (30) days written notice to the other party. Upon any such termination, the Manager shall deliver to the trustee(s) of the Trust all assets in the Account, subject to any withdrawal conditions set forth in any applicable Declaration of Separate Fund or the terms of the Declaration of Trust. Notwithstanding the foregoing, this Agreement shall terminate upon the complete withdrawal or distribution of the assets of the Plan and Trust from all Designated Portfolios.
- 15. Applicable Law: This Agreement shall be administered and construed according to the laws of the State of New Hampshire except as superseded and preempted by ERISA or other laws of the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representative on the date first above written.

[Name of Applicable Fiduciary]

PYRAMIS GLOBAL ADVISORS TRUST  
COMPANY

BY \_\_\_\_\_

BY \_\_\_\_\_

DATE \_\_\_\_\_

DATE \_\_\_\_\_

SCHEDULE A

INVESTMENT MANAGEMENT FEE SCHEDULE

Select International Small Cap Plus

ANNUAL FEE SCHEDULE – COMMINGLED POOL:

- 0.90 of 1% on the first \$25 million
- 0.90 of 1% on the next \$25 million
- 0.90 of 1% on the next \$50 million
- 0.90 of 1% on the next \$100 million
- 0.90 of 1% on the balance over \$200 million

Minimum Account Size: \$5 million

Minimum Annual Fee: \$45,000

Month-End Market Values

Fees are calculated based on the average month-end assets at market value during the quarter as calculated by the Advisor at an annual rate specified above, and are billed quarterly in arrears. In the event of intra-month contributions or withdrawals in excess of \$5 million or 10% of the net assets of the portfolio, month end assets used for purpose of fee calculations shall be prorated on a calendar-day basis. All fees are payable in U.S. dollars.

Invoicing

The Advisor issues quarterly bills for quarters ending March 31, June 30, September 30 and December 31. The quarterly fees will be prorated at account start-up and termination.

Investment Management Fees

The rate schedule indicated above applies to investment management services only. If other special services are required, rates will be quoted upon request.

[Name of Applicable Fiduciary]

PYRAMIS GLOBAL ADVISORS TRUST  
COMPANY

BY \_\_\_\_\_

BY \_\_\_\_\_

DATE \_\_\_\_\_

DATE \_\_\_\_\_

## SCHEDULE B

### ADMINISTRATIVE FEE SCHEDULE

The Portfolio(s) of the Group Trust (other than the Pyramis Lifecycle commingled pools)<sup>1</sup> will pay a separate administrative fee (the “Administrative Fee”) to the Manager, or an affiliate of the Manager, for pricing and bookkeeping services provided to the Portfolio(s) by the Manager or its affiliate as set forth below. The Manager reserves the right to change the fee for any Portfolio upon at least 60 days notice to the Applicable Fiduciary.

The Administrative Fee schedule is as follows:

<u>Assets of Portfolio</u>	<u>Basis Points</u>
First \$50 million	2.00 bps
Next \$50 million to \$200 million	1.50 bps
Next \$200 million to \$1 billion	1.05 bps
Next > \$1 billion	0.50 bps

The Administrative Fee will be deducted directly from the Portfolio(s). The Plan will not be invoiced separately for the Administrative Fee.

<sup>1</sup>The Pyramis Lifecycle commingled pools and other Portfolio(s) that invest in Portfolio(s) established by the Trustee under the Group Trust or other collective investment vehicle(s) maintained by the Manager will pay a pro rata share of the administrative fee charged to the underlying Portfolio(s) or vehicle(s) via their ownership of an interest in the underlying Portfolio(s) or vehicle(s).

SCHEDULE C

PLAN INFORMATION

PLAN NAME: \_\_\_\_\_

TAXPAYER IDENTIFICATION NUMBER: \_\_\_\_\_

THREE DIGIT PLAN IDENTIFICATION NUMBER: \_\_\_\_\_

FISCAL YEAR END: \_\_\_\_\_

ESTIMATED INITIAL DEPOSITS \$ \_\_\_\_\_

EXPECTED DATE OF DEPOSIT \_\_\_\_\_

(For Informational Purposes Only)

SCHEDULE D

LIST OF AUTHORIZED PERSONS

Until otherwise notified by the Applicable Fiduciary in writing, each of the following person(s) is authorized to provide instructions to Pyramis Global Advisors Trust Company regarding the Account:

NAME

\_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

# Pyramis Global Advisors® Our Business and Policies

As of July 1, 2011

This brochure provides information about the two US-based money management units of Pyramis Global Advisors, Pyramis Global Advisors, LLC (“PGA LLC”) and Pyramis Global Advisors Trust Company (“PGATC,” collectively, “Pyramis”). For additional information regarding our non-US offices, please contact your relationship manager. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any other state or non-US securities or banking authority.

For additional information on Pyramis Global Advisors, please visit:  
[www.pyramis.com](http://www.pyramis.com).



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# Advisory Business

Pyramis is an investment management firm providing advisory and sub-advisory services to various institutional clients. Pyramis has been in business since 2006. Pyramis' two US-based investment management units are PGA LLC, an investment adviser registered with the SEC under the Investment Advisers Act of 1940 ("Advisers Act"), and PGATC, a limited purpose non-depository trust company organized and operating under the laws of the State of New Hampshire. Pyramis is a Fidelity Investments company, and is wholly owned by Pyramis Global Advisors Holdings Corp., which in turn is owned by FMR LLC.

Pyramis' clients are generally institutional accounts, including endowments, foundations, investors subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), collective investment trusts, non-US mutual funds/investment funds, US mutual funds or privately offered unregistered investment funds. Pyramis may also sub-advise funds or accounts for affiliated advisers and unaffiliated advisers. Pyramis may serve as an adviser or subadviser to various accounts for which Pyramis' affiliates or FIL Limited ("FIL"), FIL's subsidiaries or affiliates have contracted to provide investment advisory services. These accounts include, among others, unit trusts and investment companies authorized in jurisdictions outside Canada and the United States.

Pyramis may, to the extent permitted by its management contracts, delegate investment discretion to a sub-adviser who manages all or a portion of the portfolio. Pyramis may also use the services of affiliates, or utilize the services of certain personnel as supervised persons of Pyramis under personnel sharing arrangements or other inter-company arrangements entered into with affiliates of Pyramis. Pyramis may have access to investment research from its affiliates. Certain of these affiliates have been deemed to be "Participating Affiliates" of Pyramis as described under applicable SEC staff no-action letters. Pyramis or its affiliates may have access to investment research from various subsidiaries and affiliates of FIL, which are registered investment advisers operating principally in the United Kingdom, Japan and Hong Kong. Pyramis disclaims that it is a related person of FIL.

Pyramis or its affiliates may provide to or receive from other affiliated investment managers or financial institutions and/or FIL and its subsidiaries and affiliates non-discretionary advisory services in the form of research services. More specifically, written research notes and ratings regarding certain equity securities prepared by certain of Pyramis' affiliates are subject to a four-day lag after preparation before being shared with Pyramis.

Pyramis and/or its affiliates provide all necessary office facilities and personnel for servicing some of the accounts' investments, and pay the salaries and fees of officers of certain accounts and of personnel of certain accounts performing services relating to research, statistical and investment activities. In addition, Pyramis' affiliates provide the management and administrative services necessary for the operation of some of the accounts. These services may include providing facilities for maintaining each client's organization; supervising relations with custodians, transfer and pricing agents, accountants, underwriters and other persons dealing with clients; preparing all general shareholder communications and conducting shareholder relations; maintaining each fund's, if applicable, records and the registration and notice filing status of each client's shares under applicable law, respectively; developing management and shareholder services for each fund, if applicable; and furnishing reports, evaluations and analyses.

From time to time, a manager, analyst or other employee of Pyramis or its affiliates may express views regarding a particular company, security, industry or market sector. The views expressed by any such person are the views of only that individual as of the time expressed and do not necessarily represent the views of Pyramis or its affiliates or any other person in their organizations. Any such views are subject to change at any time based upon market or other conditions, and Pyramis and its affiliates disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for an account managed by Pyramis or its affiliates are based on numerous factors, may not be relied on as an indication of trading intent on behalf of an account.

Pyramis or its affiliates generally have authority to determine which securities to purchase or sell, the total amount of such purchases and sales, and the brokers or dealers through which transactions are effected. However, with respect to each discretionary account, Pyramis' and its affiliates' authority is subject to certain limits, including the applicable investment objectives, policies and restrictions. These limitations may be based on a variety of factors, such as regulatory constraints, as well as policies imposed by a client or its governing body (e.g., board of trustees) and may cause differences in commission rates. With respect to Pyramis' investment company clients, many of the applicable investment policies and limitations are set forth in each client's registration statement filed with the Securities and Exchange Commission.

As of December 31, 2010, Pyramis managed \$169.5 billion of client assets on a discretionary basis. As of December 31, 2010, Pyramis did not manage any client assets on a non-discretionary basis.

# Fees and Compensation

Fees charged to Pyramis' clients are based on the product, vehicle, and asset size. Fees are generally based on an account's average net assets but also may include performance fee and minimum fee arrangements. Generally, Pyramis' management fees for clients investing in fixed-income securities are lower than the fees for clients investing in equity securities.

Provided below is a general fee schedule of effective rates based on asset class. These fees will vary based on a variety of factors, including portfolio size, breakpoints, type of product structure, and any performance or minimum fee arrangement. Fees may be subject to negotiation and are subject to review and approval by the client in accordance with the requirements of applicable law. Pyramis' private funds will be subject to fee arrangements, which arrangements may include performance fees, disclosed in each such fund's offering memorandum provided to an investor.

<u>Asset Class</u>	<u>Effective Rates</u>
• US Equity	26–100 bps
• Non-US Equity	27.5–115 bps
• Investment Grade Fixed Income	14.7–32.5 bps
• Non-Investment Grade Fixed Income	27–75 bps

The majority of Pyramis' clients pay all of their other operating expenses. However, certain of Pyramis' clients have all-inclusive fee arrangements, pursuant to which Pyramis' affiliates pay certain of the applicable client's expenses. Pyramis' affiliates' fees for providing these services are negotiated on an individual basis and vary significantly among clients and investment strategies. Pyramis and its affiliates also advise private funds and charge fees

based on assets under management as well as performance fees.

Pyramis or its affiliates may provide to or receive from other affiliated investment managers or financial institutions and/or FIL and its subsidiaries and affiliates non-discretionary advisory services in the form of research services. With respect to such services, fees are negotiable and generally relate to the amount of assets benefiting from the research or other advisory services.

Compensation to Pyramis is payable on a quarterly basis in arrears or on such other terms as Pyramis may from time to time agree or as Pyramis may be entitled to under the terms of operating agreements of any privately offered investment fund that Pyramis may advise. Agreements that Pyramis may enter into with its investment advisory or non-investment advisory affiliates may be of definite or indefinite duration as permitted by applicable law; however, the parties generally have the right to terminate the agreement on 30–90 days' advance written notice. In the case of investment companies registered under the Investment Company Act of 1940 ("1940 Act"), the advisory contract with Pyramis is subject to approval by the boards of directors of any such investment companies. Clients are generally billed for fees incurred. Fees may be deducted by a service provider for privately offered investment funds that Pyramis may advise.

Pyramis receives its investment management fee from its clients. Clients typically have made independent arrangements for a custodian, for example, which they pay directly. In addition, clients will incur brokerage and other transaction costs. For information regarding Pyramis' brokerage arrangements, see "Brokerage Practices."

# Performance-Based Fees and Side-By-Side Management

Pyramis accepts both performance-based fees and asset-based fees for the management of accounts, and certain of Pyramis' supervised persons manage both types of accounts.

A conflict of interest may arise if a portfolio manager manages accounts simultaneously when one account has performance fee and incentive compensation arrangements and another account does not. In general, the management of multiple funds and accounts (including proprietary accounts of Pyramis or one or more affiliates of Pyramis) may give rise to potential conflicts of interest if, for example, the accounts have different objectives, benchmarks, time horizons, and fees as the portfolio manager must allocate his or her time and investment ideas across multiple funds and accounts. Because a portfolio manager must allocate his or her time and investment ideas across these multiple funds and accounts, the portfolio manager may be motivated to invest more effort on behalf of those funds and accounts that include a performance-adjusted component in order to increase their performance and hence the portfolio manager's compensation.

In addition, conflicts of interest may arise if the account's orders do not get fully executed due to being aggregated with those of other accounts managed by Pyramis, FIL or their respective affiliates. Pyramis, FIL and certain of their respective affiliates have adopted policies and procedures (for example, trade allocation procedures) and maintain a compliance program designed to help manage these actual and potential conflicts. There can be no assurance, however, that all conflicts have been addressed in all situations.

Pyramis seeks to manage such competing interest for the time and attention of the portfolio managers by having portfolio managers focus on a particular investment

discipline or certain disciplines, using similar investment strategies in connection with the management of multiple funds and accounts. Accordingly, portfolio holdings, position sizes and industry and sector exposures tend to be similar across similar accounts, which may minimize the potential for conflicts of interest. The separate management of the trade execution and valuation of funds from the portfolio management process also helps to reduce potential conflicts of interest. However, securities selected for one account may outperform the securities selected for another account. Moreover, if a portfolio manager identifies a limited investment opportunity that may be suitable for more than one account, the portfolio may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all accounts. Pyramis seeks to manage such potential conflicts by using procedures intended to provide a fair allocation of buy and sell opportunities among accounts.

Pyramis and/or certain of its affiliates may execute transactions for an account that may adversely impact the value of securities held by another account of Pyramis and/or certain of its affiliates. For example, Pyramis and/or certain of its affiliates may manage accounts that engage in short sales, and could sell short a security for such an account that another account of Pyramis and/or certain of its affiliates also trades or holds. In the case of a portfolio manager trading on behalf of multiple accounts, and subject to limited exceptions consistent with each account's investment objectives and strategies, Pyramis generally does not allow such a portfolio manager to place trade orders that conflict with trade orders placed for any existing positions for which he or she has portfolio management responsibility without prior approval of Pyramis' Chief Investment Officer. Although Pyramis or its affiliates monitor these

and other transactions to attempt to ensure equitable treatment of all accounts, there can be no assurance that the price of a security held by an account would not be impacted as a result of transactions entered for another account. Securities selected for some accounts may outperform securities selected for other accounts. Although Pyramis attempts to seek best execution on all orders, there may be instances in which it may appear that one client (or segment of clients) may receive a more favorable execution than another client (or segment of clients), depending upon the timing and nature of the order and other factors.

Pyramis' compliance program seeks to manage actual and potential conflicts associated with the contemporaneous management of long-short investment products ("long-short funds"), such as 130/30 funds, market neutral funds and associated separate accounts, and long-only products ("long-only funds"). This compliance program restricts certain

conduct and trading and investment activity related to the long-short funds and short sales, and seeks to balance the needs of investors in long-short and long-only funds. There can be no assurance, however, that all conflicts associated with the contemporaneous management of long-short funds and long-only funds have been addressed in all situations. Furthermore, compliance with such program could result in accounts, including privately offered funds managed by Pyramis or its affiliates, being restricted from making certain trades and investments that they would have otherwise made.

The policies described here and elsewhere in this document, including Pyramis' trade allocation policies, seek to mitigate these potential conflicts of interest. There can be no assurance, however, that all conflicts have been addressed in all situations.

# Types of Clients

Pyramis' clients are generally institutional accounts, including endowments, foundations, investors subject to ERISA, collective investment trusts, non-US mutual funds/ investment funds, US mutual funds or privately offered unregistered investment funds. Pyramis may also sub-advise funds or accounts for affiliated advisers and unaffiliated advisers. Pyramis may serve as an adviser or subadviser to various accounts for which Pyramis' affiliates or FIL Limited ("FIL"), FIL's subsidiaries or affiliates have contracted to provide investment advisory services. These accounts include, among others, unit trusts and investment companies authorized in jurisdictions outside Canada and the United States.

Pyramis will generally accept only institutional accounts on a fully discretionary basis. To the extent other accounts would be considered, an initial amount of \$5,000,000 would generally be required. Investment companies and other collective vehicles managed by Pyramis may have different minimum initial investment amounts according to their respective offering documents.

# Methods of Analysis, Investment Strategies and Risk of Loss

Pyramis utilizes a variety of methods of security analysis, including fundamental analysis, charting, technical analysis and cyclical analysis in managing client assets. Pyramis may also use general macro economic and quantitative analysis as a component of its security analysis methods. In addition, Pyramis may use extensive corporate visits and interviews as a source of information.

Pyramis uses a wide variety of investment strategies in managing client assets, including, but not limited to, investing in stocks and other equity securities; investing in “growth” stocks or “value” stocks or both; investing in domestic and foreign issuers, including issuers in emerging or frontier markets; investing in companies with small, medium and large market capitalizations; investing in bonds and other debt securities of all types and repurchase agreements for those securities; investing in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, and diversification of investments; investing in real estate related investments of all types; allocating investments across different asset classes, market sectors, maturities, and countries and regions; investing in Fidelity’s central funds (specialized investment vehicles used by Pyramis and its affiliates to invest in particular security types or investment disciplines, or for cash management); investing in securities of companies engaged in particular industries or market sectors; investing in a combination of underlying affiliate funds, short sales, margin transactions, and option writing, including covered options, uncovered options or spreading strategies; and providing advice on leveraged loans, non-US governmental debt securities and derivatives. Margin may be required in connection with certain client futures and options transactions or in connection with short sales. Pyramis does

not engage in the purchase of securities on margin, except in connection with clearance and settlement of securities and permitted derivatives transactions and with regard to its privately offered fund clients. Pyramis may also invest in futures contracts and engage in swap transactions, including interest rate, total return and credit default swaps. In addition, Pyramis or its affiliates may engage in securities lending to parties such as broker-dealers or other institutions. Pyramis or its affiliates have established allocation policies for its clients reasonably designed to ensure that lending opportunities are allocated appropriately among participating clients over time. When supply/demand is insufficient to satisfy all eligible clients, lending opportunities are generally allocated among participating clients based on the client’s security position size as a percentage of the client’s net assets in that particular security.

Investing in securities involves a risk of loss that clients should be prepared to bear. With respect to Pyramis’ privately offered funds, more detailed information relating to the investment strategies used to manage a particular fund and the risks of investing in the fund are set out in the applicable fund’s confidential offering memorandum. The following are a summary of the material risks for each significant investment strategy pursued by Pyramis. Not all risks are described and other risks may apply to any investment.

## **For All Investment Strategies**

Past performance is no guarantee of future results. An investment may be risky and may not be suitable for an investor’s goals, objectives and risk tolerance. Investors should be aware that an investment’s value may be volatile and any investment involves the risk that you may lose money. Performance results for individual accounts will differ from performance



results for composites and representative accounts due to factors such as portfolio size, account objectives and restrictions, and factors specific to a particular investment structure. None of Pyramis' investment strategies are insured by a bank and/or the Federal Deposit Insurance Corporation.

The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

#### **For International Investment Strategies**

The performance of international strategies depends upon currency values, political and regulatory environments, and overall economic factors in the countries in which they invest. Foreign markets, particularly emerging markets, can be more volatile than the US market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the US market. The risks are particularly significant for strategies that focus on a single country or region.

#### **For Small to Mid-Capitalization Investment Strategies**

Stock markets and issuers of small and mid cap companies are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Investments in smaller companies may involve greater risks than those in larger, better known firms. The value of securities of smaller issuers may be more volatile than those of larger issuers. Smaller

issuers can have more limited product lines, markets, and financial resources

#### **For All Fixed Income Investment Strategies**

The performance of fixed income strategies will change daily based on changes in interest rates and market conditions and in response to other economic, political or financial developments. Debt securities are sensitive to changes in interest rates depending on their maturity, and may involve the risk that their prices may decline if interest rates rise or, conversely, if interest rates decline, their prices may increase. Debt securities carry the risk of default, prepayment risk and inflation risk. Changes specific to an issuer, which may involve its financial condition or economic environment, can affect the credit quality or value of an issuer's securities. Lower-quality debt securities are often considered to be speculative and involve greater risk, especially in periods of general economic difficulty. The value of mortgage securities may change due to shifts in the market's perception of issuers and changes in interest rates, regulatory or tax changes.

#### **For All Real Estate Investment Strategies**

The real estate industry is particularly sensitive to economic downturns. The value of securities of issuers in the real estate industry can be affected by changes in real estate values and rental income, property taxes, interest rates, tax and regulatory requirements, overbuilding, extended vacancies of properties, and the issuer's management skill. As a consequence, investments related to real estate may be more volatile than other investments. Mortgage-backed securities are subject to the risk that mortgagors may not meet their payment obligations and/or to prepayment risk. Each investment also has its unique interest rate and payment priority characteristics.

### **For Investment Strategies that Use Derivatives**

Derivatives may be volatile and involve significant risk, including but not limited to credit risk, currency risk, leverage risk, counterparty risk, liquidity risk, and valuation risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances. Investments in derivatives may have limited liquidity and may be harder to value, especially in declining markets.

### **For Investment Strategies that Use Leverage**

The use of leverage may result in a portfolio controlling substantially more assets than it has equity. Leverage increases returns if the return on investments purchased with borrowed funds is greater than the cost of borrowing such funds. However, the use of leverage exposes the strategy to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case in the absence of such borrowing, (ii) margin calls or changes in margin requirements that may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the cost of leverage related to such investments. In the event of a sudden, precipitous drop in value of assets, assets might not be able to be liquidated quickly enough to repay borrowings, further magnifying the losses incurred by the strategy.

### **For Investment Strategies Utilize Short Selling**

Strategies that utilize short selling are subject to the risk of additional volatility and decreased liquidity. Potential losses from an uncovered short position in an equity security are unlimited. Losses could occur if short sales were poorly correlated with the strategy's other investments, or if the manager were unable to liquidate its positions because the market for securities subject to short sales is or becomes illiquid. Short sales may be

restricted in response to market events.

Furthermore, additional costs may be incurred in connection with short sale transactions, and the ability to continue to borrow a security is not guaranteed. Such restrictions and costs may prevent the full implementation of such investment strategies and may have a material adverse effect on them.

### **For Lifecycle Investment Strategies**

Investment performance of the Pyramid lifecycle products depends on the performance of the underlying investment options and on the proportion of the assets invested in each underlying investment option. The performance of the underlying investment options depends, in turn, on their investments. The performance of these investments will vary day to day in response to many factors.

### **For Market Neutral Strategies**

The types of trading risks incurred by market neutral strategies generally relate to either spreads or price differentials between related securities and/or their derivatives, or the volatility of security prices or spreads or the level of market liquidity. At times of heightened systemic market risk, these market neutral risks tend to increase, which may lead to underperformance of a market neutral portfolio. In addition, market neutral strategies are structured to mitigate market risk, while profiting from individual issue selections. Misestimation of non-systematic risks such as beta, market cap, and sector exposure may result in the strategy having a positive or negative bias to these risk factors. Market volatility may have a material influence on the behavior of these factors, resulting in an underestimation of the risk profile on the strategy.

### **For Investment Strategies that Use Quantitative Investing**

Securities selected using quantitative analysis can perform differently from the market as a whole as a result of the factors used in the

analysis, the weight placed on each factor, and changes in the factor's historical trends. The factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security's value. If the factors that do affect a security's value change over time and are not reflected in the quantitative model, the strategy may fail to achieve its investment objective.

#### **For Strategies with Investments that Are Denominated in non-US Currencies**

**Currency Risks:** Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

**Currency Hedging** Some investments denominated in non-US currencies may not hedge foreign exchange risk. Accordingly, any hedging of currency exposure that is implemented will primarily involve hedging back to the US dollar, but in certain circumstances may involve other hedging activities.

#### **For Relative Value Strategies**

The strategy may pursue relative value strategies by taking long positions in securities believed to be undervalued and short or underweight positions in securities believed to be overvalued. In the event that the perceived mispricings underlying a strategy's trading positions were to fail to converge toward, or were to diverge further from expectations, the strategy might incur a loss.

#### **For Sector Strategies**

**Non-Diversification:** The strategy may be primarily invested in a specific industry or sector. The strategy may not be widely diversified among a wide range of industries, sectors, issuers, geographic areas, capitalizations or types of securities. Accordingly, the strategy may be subject to more rapid change in value than otherwise.

**Consumer Sector Concentration** The consumer discretionary industries can be significantly affected by the performance of the overall economy, interest rates, competition, consumer confidence and spending, and changes in demographics and consumer tastes.

**Energy Sector Concentration** Companies in the energy service industry can be significantly affected by the supply of and demand for specific products or services, the supply of and demand for oil and gas, the price of oil and gas, exploration and production spending, government regulation, world events and economic conditions. Correspondingly, securities of companies in the energy field are subject to swift price and supply fluctuations caused by events relating to international politics, energy conservation, the success of exploration projects, and tax and other governmental regulatory policies.

**Financials Sector Concentration** Companies in the financials sector are subject to extensive government regulation, can be subject to relatively rapid change due to increasingly blurred distinctions between service segments, and can be significantly affected by availability and cost of capital funds, changes in interest rates, the rate of corporate and consumer debt defaults and price competition.

**Health Care Sector Concentration** Companies in the health care sector can be significantly affected by government regulation and reimbursement rates, as well as government approval of products and services, which could have a significant effect on price, and availability, and can be significantly affected by rapid obsolescence and patent expirations.

**Industrials Sector Concentration** Companies in the industrials sector can be significantly affected by general economic trends, changes in consumer sentiment and spending, commodity prices, legislation, government regulation and spending, import controls, and worldwide competition, and can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

**Materials Sector Concentration** Companies in the materials sector can be significantly affected by the level and volatility of commodity prices, the exchange value of the dollar, import controls, worldwide competition, liability for environmental damage, depletion of resources, mandated expenditures for safety and pollution control, and political risk, including royalty and tax changes, permitting, and expropriation of assets.

**Technology Sector Concentration** Companies in the technology sector can be significantly affected by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants, research and development costs, availability and price of components, global demand and general economic conditions.

# Disciplinary Information

On March 5, 2008, the SEC issued a settlement order that contained the following findings, which Fidelity Management & Research Company (“FMR”) and an advisory affiliate (“Fidelity”) neither admitted nor denied: (1) Fidelity failed to reasonably supervise its employees’ receipt of travel, entertainment and gifts from brokers; (2) Fidelity failed to seek best execution for its clients’ securities transactions; (3) Fidelity failed to disclose the material conflict of interest arising from the receipt by certain employees of travel, entertainment and gifts from brokers; (4) Fidelity made materially false and misleading statements and omissions about its selection of brokers; and (5) Fidelity failed to keep certain communications with brokers concerning the placing or execution of orders to purchase or sell securities. Pursuant to the settlement order, Fidelity agreed to (1) cease and desist from certain conduct, (2) a censure, (3) payment of an \$8,000,000 fine to the United States Treasury, and (4) compliance with various undertakings relating to the engagement of an independent compliance consultant.

## Other Financial Industry Activities and Affiliations

Certain of Pyramis' management persons are registered representatives of a registered broker-dealer, Pyramis Global Advisors Distributors Corporation.

### **Broker-Dealers**

Pyramis has relationships or arrangements with the following broker-dealers:

***Fidelity Distributors Corporation (FDC)***, a wholly-owned subsidiary of FMR LLC, acts as principal underwriter and general distribution agent of the registered investment companies advised by Fidelity Management & Research Company (FMR). FDC is a registered broker-dealer under the Securities Exchange Act of 1934, as amended ("Exchange Act").

***Fidelity Brokerage Services LLC (FBS)***, a wholly owned subsidiary of Fidelity Global Brokerage Group, Inc., is a registered broker-dealer under the Exchange Act, and provides brokerage products and services, including the sale of shares of investment companies advised by FMR to individuals and institutions, including retirement plans administered by affiliates. Pursuant to referral agreements and for compensation, representatives of FBS may refer customers to various services offered by FBS's related persons. In addition, FBS is the distributor of insurance products, including variable annuities, which are issued by Pyramis' related persons, Fidelity Investments Life Insurance Company (FILI) and Empire Fidelity Investments Life Insurance Company (EFILI). FBS may provide shareholder services to certain of Pyramis' or Pyramis' affiliates' clients.

***Fidelity Global Brokerage Group, Inc.***, a wholly-owned subsidiary of FMR LLC, has an equity interest in eBX LLC (eBX), a holding company and a registered broker-dealer under the Exchange Act, which was formed for the purpose of developing, owning and operating an alternative trading system, the "Level ATS." Transactions for clients of Pyramis, other affiliates of Pyramis or other entities for which Pyramis or its affiliates serve as adviser or sub-adviser or provide discretionary trading services, as well as clients of Pyramis' affiliates, may be executed through the Level ATS. Such transactions may present a conflict of interest as Pyramis may have an incentive to direct transactions to its affiliate. Please see a discussion of Pyramis' brokerage and trading policies in the "Brokerage Practices" section for more information. Pyramis disclaims that it is a related person of eBX.

***Pyramis Distributors Corporation LLC (PDC)***, a wholly owned subsidiary of Pyramis Global Advisors Holdings Corp., acts as a placement agent for privately offered investment funds advised by Pyramis and its affiliates in the US. PDC is a registered broker-dealer under the Exchange Act.

***Fidelity Clearing Canada ULC (FCC)***, is engaged in the institutional brokerage business and provides clearing and execution services for other brokers. FCC is a wholly-owned subsidiary of Fidelity Global Brokerage Group, Inc., a holding company that provides administrative services to FCC.

***National Financial Services LLC (NFS),***

is engaged in the institutional brokerage business and provides clearing and execution services for other brokers. NFS is a wholly-owned subsidiary of Fidelity Global Brokerage Group, Inc., a holding company that provides administrative services to NFS. Fidelity Capital Markets (FCM), a division of NFS, may execute transactions for Pyramis' investment company and other clients. Additionally, NFS operates CrossStream, an alternative trading system that allows NFS brokerage customer orders to cross and be executed within the CrossStream network. Using CrossStream, NFS crosses client accounts and it charges a commission on its trades to both of its brokerage customers. CrossStream may be used to execute transactions for Pyramis' investment company and other clients if it reasonably believes the quality of the transaction is comparable to what it would be with other qualified broker-dealers. NFS is a registered broker-dealer under the Exchange Act and NFS is also registered as an investment adviser under the Investment Advisers Act of 1940, as amended ("Advisers Act"). NFS may serve as a clearing agent for client transactions that Pyramis places with certain broker-dealers. NFS may provide transfer agent or subtransfer agent services to certain of Pyramis' or Pyramis' affiliates' clients.

***Fidelity Investments Institutional Services Company, Inc. (FIISC)*** is a wholly-owned subsidiary of FMR LLC. FIISC is a registered broker-dealer under the Exchange Act and a registered investment adviser under the Advisers Act. FIISC provides brokerage, investment advisory, and related services, such as the sale of shares of investment companies advised by FMR, to institutional clients, including intermediaries.

**Investment Company or Other Pooled Investment Vehicle**

Pyramis provides portfolio management services as subadviser for a number of unaffiliated registered investment companies. Pyramis disclaims that it is a related person of the investment companies for which it provides investment management services. Pyramis provides portfolio management services as adviser for a number of affiliated, privately offered funds. Pyramis may also advise other non-US pooled vehicles.

Related persons of Pyramis may be a general partner of a partnership, such as a privately offered unregistered investment fund formed as a limited partnership, in which clients of Pyramis may be solicited to invest and Pyramis may advise. These unregistered investment companies may invest in a wide variety of interests, including securities and derivatives instruments, real estate and other privately offered funds.

**Other Investment Advisers**

Pyramis has relationships or arrangements with the following investment advisers:

***Fidelity Management & Research Company (FMR)*** is a wholly-owned subsidiary of FMR LLC and a registered investment adviser under the Advisers Act. FMR principally provides portfolio management services as an adviser or subadviser to registered investment companies. FMR may provide portfolio management services as a sub-adviser to certain of Pyramis' clients. FMR or its affiliates may provide certain administrative services to Pyramis and its affiliates, including, but not limited to, securities execution, investment compliance and proxy voting.

**FMR Co., Inc. (FMRC)** is a wholly-owned subsidiary of FMR and a registered investment adviser under the Advisers Act. FMRC may provide portfolio management services as a sub-adviser to certain of Pyramis' clients. FMRC may also provide portfolio management services as an adviser or a sub-adviser to clients of other affiliated and unaffiliated advisers.

**Fidelity Investments Money Management, Inc. (FIMM)**, is a wholly-owned subsidiary of FMR LLC and a registered investment adviser under the Advisers Act. FIMM provides portfolio management services as a sub-adviser to certain of FMR's or Pyramis' clients, including investment companies in the Fidelity Group of Funds or as an adviser.

**Strategic Advisers, Inc. (SAI)**, is a wholly-owned subsidiary of FMR LLC and a registered investment adviser under the Advisers Act. SAI acts as the investment manager to registered investment companies that invest in affiliated and unaffiliated funds. Pyramis provides sub-advisory services to investment companies advised by SAI.

**Fidelity Management & Research (U.K.) Inc. (FMR (U.K.))**, a wholly-owned subsidiary of FMR, with a branch office located in London, U.K., is registered as an investment adviser under the Advisers Act and has been authorized by the U.K. Financial Services Authority to provide investment advisory and asset management services. FMR (U.K.) provides investment advisory and portfolio management services as a sub-adviser to Pyramis' and its affiliates' clients, including investment companies in the Fidelity group of funds. FMR (U.K.) may provide portfolio management services as an adviser or sub-adviser to clients of other affiliated and unaffiliated advisers.

**Fidelity Research & Analysis Company (FRAC)**, a wholly-owned subsidiary of FMR, is registered as an investment adviser under the Advisers Act. FRAC may act as an investment consultant to Pyramis or its affiliates and may supply Pyramis or its affiliates with investment research and investment advisory information as Pyramis or its affiliates reasonably request on behalf of their clients. FRAC may serve as a sub-adviser to Pyramis or its affiliates for a number of mutual funds or other institutional accounts.

**Northern Neck Investors LLC (Northern Neck)** is owned by various shareholders and employees of FMR LLC, and serves as investment adviser and general partner to or manager of Fidelity employee securities companies and related investment entities owned by Pyramis' related persons. Northern Neck is registered as an investment adviser under the Advisers Act. Northern Neck may place orders in public securities with Pyramis' affiliates' trading personnel for execution.

**Fidelity Investments Canada ULC (FIC)** is a wholly-owned subsidiary of FMR LLC. FIC, a registered adviser and mutual fund dealer in all provinces and territories of Canada, provides management and administrative services to Canadian mutual funds, pooled funds and institutional accounts. Pyramis or its affiliates serve as adviser and/or sub-adviser for accounts managed or distributed by FIC or its affiliates.

**FIL Limited (FIL)** was incorporated in 1969 and serves as investment manager and adviser to offshore funds and private accounts. FIL may provide portfolio management services as an adviser or a sub-adviser to Pyramis or its affiliates and their clients. Pyramis disclaims that it is a related person of FIL.



**Fidelity Investments Japan Limited (FIJ)** is a wholly-owned subsidiary of FIL, Pembroke Hall, 42 Crow Lane, Pembroke, Bermuda, a Bermuda company, and is registered as an investment adviser under the Advisers Act. FIJ may provide research, investment advisory and discretionary investment management services to clients of FMR Co., Pyramis' or its affiliates' clients with respect to Japan and other Asian countries and issuers, and may serve as sub-adviser (generally through a delegation from FIL Advisors (FIA)) for certain of FMR's clients. FIJ may recommend to its clients, or invest on behalf of its clients, in securities that are the subject of recommendation to, or discretionary trading on behalf of, Pyramis' or its affiliates' clients. Pyramis disclaims that it is a related person of FIJ.

**FIL Investment Advisors (FIA)** is a wholly-owned subsidiary of FIL and is registered as an investment adviser under the Investment Advisers Act of 1940. FIA, substantially through its branch office in Hong Kong, may provide research, investment advisory and discretionary investment management services to Pyramis' or its affiliates' clients with respect to companies outside the US, and may serve as sub-adviser for certain of Pyramis' or its affiliates' clients, or invest in, on behalf of its clients, securities that are the subject of recommendation to, or discretionary trading on behalf of, Pyramis' or its affiliates' clients. Pyramis disclaims that it is a related person of FIA.

**FIL Investment Management (Hong Kong) Limited (FIM (Hong Kong))**, a company incorporated under the laws of Hong Kong, is a "Participating Affiliate" of FIA. FIM (Hong Kong) is a wholly-owned subsidiary of FIL and certain of its employees who act as portfolio managers, portfolio advisers or research analysts, and their supervisors are also employed by FIA. FIM (Hong Kong) may recommend to its clients, or invest in, on behalf of its clients, securities that are the subject of recommendation to, or discretionary trading on behalf of, Pyramis' or its affiliates' US and Canadian clients. Pyramis disclaims that it is a related person of FIM (Hong Kong).

**FIL Investment Advisors (UK) Limited (FIA (UK))** is an indirect wholly-owned subsidiary of FIL, and is registered as an investment adviser under the Investment Advisers Act of 1940. FIA (UK) may provide research, investment advisory and discretionary investment management services to certain of Pyramis' or its affiliates' clients with respect to companies outside the US and serves as sub-adviser (generally through a delegation from FIA) for certain of Pyramis' or its affiliates' clients. FIA (UK) may recommend to its clients, or invest in, on behalf of its clients, securities that are the subject of recommendation to, or discretionary trading on behalf of, Pyramis' or its affiliates' clients. Pyramis disclaims that it is a related person of FIA (UK).

**FIL Investment International (FII)**, FIL Investment Services (UK) Limited (FIS(UK)), and FIOI Pensions Management (FPM), companies incorporated under the laws of England, are “Participating Affiliates” of both FIA and FIA (UK). FIL Holdings Limited (FHL), an indirect wholly-owned subsidiary of FIL, is the owner of 100% of the capital stock of FIS(UK) and FPM, and 98% of the capital stock of FII. Certain of FII’s FIS(UK)’s and FPM’s employees who act as portfolio managers, portfolio advisers or research analysts, and their supervisors are also employed by FIA(UK). FIS, FIS(UK) and FPM may recommend to their clients, or invest in, on behalf of their clients, securities that are the subject of recommendation to, or discretionary trading on behalf of, Pyramis’ or its affiliates’ clients. Pyramis disclaims that it is a related person of FHL, FII, FIS(UK) or FPM.

**FIL Fund Management Private Limited (FFMPL)**, FIL Asset Management (Korea) Limited (FIA(K)), and FIL Investment Management (Australia) Limited (FIAL) are also “Participating Affiliates” of FIA and provide research services to FIA, which FIA may in turn use on behalf of Pyramis’ or its affiliates’ US clients. Pyramis disclaims that it is a related person of FFMPL, FIA(K) and FIAL may recommend to their clients, or invest in, on behalf of their clients, in securities that are the subject or recommendation to, or discretionary trading on behalf of, Pyramis’ or its affiliates’ clients. Pyramis disclaims that it is a related person of FFMPL, FIA(K) or FIAL.

**FIL Investment Management (Singapore) Limited FIM(S)** is a wholly-owned subsidiary of FIL and is a “Participating Affiliate” FIA. FIM(S) may, under the supervision and review of FIA and in accordance with FIA’s applicable investment guidelines and compliance policies, determine the securities to be purchased and sold for a limited number of FIA’s clients. FIM(S) may recommend to its clients, or invest in, on behalf of its clients, securities that are the subject of recommendation to, or discretionary trading on behalf of, FMR’s or its affiliates’, including Pyramis and its affiliates, clients. Pyramis disclaims that it is a related person of FIM(S).

**Fidelity Management & Research (Japan) Inc. (FMR (Japan))**, a wholly-owned subsidiary of Fidelity Management & Research Company (FMR), is a registered investment adviser under the Advisers Act, and has been authorized by the Japan Financial Services Agency (Kanto Local Finance Bureau) to provide investment advisory services. FMR (Japan) may supply investment research and investment advisory information to certain clients of FMR, including investment companies in the Fidelity group of funds, to Pyramis and its affiliates, and to clients of other affiliated and unaffiliated advisers.

**Fidelity Management & Research (Hong Kong) Limited (FMR (Hong Kong))** a wholly-owned subsidiary of FMR, is a registered investment adviser under the Advisers Act, and has been authorized by the Hong Kong Securities & Futures Commission to advise on securities and futures and provide asset management services. FMR (Hong Kong) may provide investment advisory or portfolio management services as a sub-adviser for certain clients of FMR, including investment companies in the Fidelity group of funds, to Pyramis and its affiliates, and for clients of other affiliated and unaffiliated advisers.

***Pyramis Global Advisors (UK) Limited***

***(PGAUK)***, an indirect wholly-owned subsidiary of FMR LLC, is authorized by the U.K. Financial Services Authority to provide investment advisory, portfolio management and distribution services. PGAUK provides research services with respect to issuers located outside the United States to Pyramis, its affiliates and FIL. Certain employees of PGAUK may from time to time provide certain research services for Pyramis, which Pyramis may use for its clients. PGAUK has been deemed to be a “Participating Affiliate” of Pyramis, as described below.

***Pyramis Global Advisors (Canada) ULC (PC)***, an unlimited liability corporation incorporated in Alberta, Ontario, Canada, is registered as an adviser in the categories of investment counsel and portfolio manager and as an advisor in the category of commodity trading manager with the Ontario Securities Commission. PC also maintains a branch office in Montreal, Quebec, that is registered with the Autorité des Marchés Financiers as an unrestricted practice adviser. Certain employees of PC may from time to time provide certain research services for Pyramis, which Pyramis may also provide to its clients. PC has been deemed to be a “Participating Affiliate” of Pyramis, as described below.

***Pyramis Global Advisors (Hong Kong) Limited (PGAHK)***, a company limited by shares, incorporated in Hong Kong and registered under the Business Registration Ordinance of Hong Kong, is authorized by the Hong Kong Securities and Futures Commission to advise on securities and futures contracts, manage assets, and deal in securities. PGAHK is also registered with the Australian Securities and Investments Commission and the Financial Services Commission in Korea. Certain employees of PGAHK may from time to time provide certain research services for Pyramis, which Pyramis may use for its clients. PGAHK has been deemed to be a “Participating Affiliate” of Pyramis, as described below.

None of PGAUK, PC or PGAHK are registered as investment advisers under the Advisers Act and each is deemed to be a “Participating Affiliate” of Pyramis (as this term has been used by the SEC’s Division of Investment Management in various no-action letters granting relief from the Advisers Act’s registration requirements for certain affiliates of registered investment advisers). Pyramis deems PGAUK, PC and PGAHK and certain of their employees as “associated persons” of Pyramis within the meaning of Section 202(a) (17) of the Advisers Act, because PGAUK, PC and PGAHK may, through such employees, contribute to Pyramis’ research process and may have access to information concerning which securities are being recommended to Pyramis’ US clients prior to the effective dissemination of such recommendations. Each of PGAUK, PC and PGAHK may also provide certain affiliates of Pyramis with certain research relating to securities that are the subject of research it also provides to Pyramis. As Participating Affiliates of Pyramis, each of PGAUK, PC and PGAHK have agreed to submit themselves to the jurisdiction of US courts for actions arising under US securities laws in connection with investment advisory activities conducted for Pyramis’ US clients. Pyramis maintains a list of the employees of PGAUK, PC and PGAHK whom it has deemed “associated persons,” which it will make available to current and prospective US clients of Pyramis upon request.

### **Banking or Thrift Institutions**

FMR has relationships or arrangements with the following banking and trust institutions:

***Fidelity Management Trust Company (FMTC)***, a trust company organized and operating under the laws of the Commonwealth of Massachusetts, provides discretionary investment management and other fiduciary services to IRAs, employee benefit plans and institutional clients which may be invested in mutual funds or other clients for which Pyramis or its affiliates are the adviser or sub-adviser. Pyramis or its affiliates provide certain administrative services to FMTC, including, but not limited to, securities execution, investment compliance and proxy voting.

***Fidelity Personal Trust Company, FSB (FPTC)*** is a federal savings bank limited to trust powers. FPTC is an indirect, wholly-owned subsidiary of FMR LLC.

### **Insurance Companies or Agencies**

FMR has relationships or arrangements with the following insurance companies and agencies:

***Fidelity Investments Life Insurance Company (FILI)***, a wholly-owned subsidiary of FMR LLC, is engaged in the distribution and issuance of life insurance products that may offer shares of investment companies managed by Pyramis or its affiliates.

***Empire Fidelity Investments Life Insurance Company (EFILI)*** is a wholly-owned subsidiary of Fidelity Investments Life Insurance Company (FILI) and is engaged in the distribution and issuance of life insurance products that may offer shares of investment companies managed by Pyramis or its affiliates.

***Fidelity Insurance Agency, Inc.*** is engaged in the business of selling variable and single premium deferred annuities and variable life insurance. Fidelity Insurance Agency, Inc. is a wholly-owned subsidiary of FMR LLC.

### **Sponsor or Syndicator of Limited Partnerships**

Related persons of Pyramis may be a general partner of a partnership, such as a privately offered unregistered investment fund formed as a limited partnership, in which clients of Pyramis may be solicited to invest and Pyramis may advise. These unregistered investment companies may invest in a wide variety of interests including securities and derivatives instruments, real estate and other privately offered funds.

# Code of Ethics and Related Policies, Participation or Interest in Client Transactions and Personal Trading

Pyramis or its affiliates may purchase or sell for the accounts of clients securities in which Pyramis' or its affiliates' in-house accounts (including institutional accounts), affiliates, directors, officers or employees have a position or securities in which Pyramis or its affiliates have a material financial interest. Pyramis or its affiliates may invest in the same securities or related securities, (e.g., warrants, options or futures) that Pyramis or its affiliates recommend to clients. In addition, subject to the procedures discussed below, Pyramis or its affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that Pyramis or its affiliates buy or sell the same securities for its own (or a related person's own) account.

These situations result, in part, from the breadth of securities purchased by Pyramis' or its affiliates' varied clients and the fact that personnel of Pyramis or its affiliates are permitted to invest in securities for their personal accounts. The potential conflicts of interest involved in such transactions are governed by Pyramis' Code of Ethics for Personal Investing (Code), which has been adopted and approved by Pyramis under Rule 204A-1 under the Advisers Act. The Code applies to all officers, directors, and employees of Pyramis or its affiliates (covered persons) and requires that they place the interests of Pyramis' clients above their own. The Code establishes securities transactions requirements for all covered persons.

In accordance with Rule 204A-1 of the Advisers Act, the Adviser's Code: (1) describes the fiduciary duty covered persons have to Pyramis' clients; (2) requires covered persons of Pyramis to comply with federal securities laws; (3) requires covered persons of Pyramis to report, and for Pyramis or its affiliates to

review, covered persons' transactions and holdings periodically (money market funds excepted), including transactions in mutual funds advised by Pyramis or an affiliate and certain other funds; (4) requires covered persons of Pyramis to report any violations of the Adviser's Code to Pyramis' or its affiliate's Ethics Office; and (5) requires Pyramis or its affiliates to provide each employee with a copy of the Adviser's Code and any amendments, and requires employees to acknowledge their receipt of the Adviser's Code. Pyramis will provide a copy of its Adviser's Code to any client or prospective client upon request.

In addition, the Code requires covered persons to move their covered accounts to Fidelity Brokerage Services LLC unless an exception has been granted; requires preclearance of transactions in covered securities; generally prohibits purchases or sales by portfolio managers of securities that are traded in client accounts within seven days before or after the trade; prohibits purchases of securities in initial public offerings unless an exception has been approved; prohibits investments in limited offerings without prior approval; and requires disgorgement of profits from short-term transactions by investment personnel unless an exception has been approved. Violation of the Code's requirements may also result in the imposition of remedial actions.

The situation of purchasing or selling securities for the accounts of clients in which Pyramis' or its affiliates' in-house accounts, affiliates, directors, officers or employees have a position also may arise in public offerings of securities where an affiliate of Pyramis is a selling shareholder. Any such activity is evaluated in accordance with the Exchange Act's Regulation M and the 1940 Act. FCM, a division of NFS,

an affiliated broker-dealer of Pyramis and its affiliates, may be a selling agent or principal underwriter in underwritings of municipal, equity or other securities that Pyramis or its affiliates recommend to clients. The trustees of Pyramis' or its affiliates' US mutual fund clients evaluate any such activity, if applicable, by Pyramis or its affiliates in accordance with Rule 10f-3 under the 1940 Act and procedures adopted pursuant to Rule 10f-3. With respect to Canadian clients, Pyramis or its affiliates conduct such transactions in accordance with Part 4.1(1) under National Instrument 81.102.

A conflict of interest may arise if a portfolio manager manages accounts simultaneously when one account has certain performance fee and incentive compensation arrangements and another account does not. In addition, conflicts of interest may arise if the account's orders do not get fully executed due to being aggregated with those of other accounts managed by Pyramis, FIL or their respective affiliates. The policies described here, and elsewhere in this document, including descriptions of Pyramis' trade allocation policies, seek to mitigate these potential conflicts of interest. There can be no assurance, however, that all conflicts have been addressed in all situations.

A portfolio manager may be permitted to invest in the strategies he or she manages, even if the strategy is closed to new investors. Trading in personal accounts, which may give rise to potential conflicts of interest, is restricted by the Code. Any portfolio manager who is also an analyst for Pyramis is prohibited from purchasing or selling a security in his or her personal account where there will be an imminent change in the analyst's recommendation or an initiation of coverage, except in certain limited circumstances.

### **Inside Information Policy**

All Pyramis and Fidelity employees are subject to the Fidelity Policy on Inside Information. This policy facilitates compliance with securities laws by prohibiting employees from trading any security of an issuer while aware of any material nonpublic information about that issuer. This policy explains the requirements for handling potential inside information. Employees are required to acknowledge their compliance with and understanding of this policy when they join Pyramis and on an annual basis. Pyramis investment professionals are also trained annually on the requirements of this policy. Violations of this policy are treated seriously and employees are subject to sanctions and possible termination for any breach.

### **Business Entertainment and Workplace Gifts Policy**

All Pyramis and Fidelity employees are subject to the Fidelity Corporate Policy on Business Entertainment and Workplace Gifts, which sets out standards and guidelines for appropriate business entertainment and gift giving. It defines "business partner" broadly to include both entities and individuals that are customers, vendors or suppliers and any employee, representative, agent or other individual associated with any of the aforementioned. This policy requires that business entertainment meet certain criteria, including that it serve a clear potential business benefit; the value or cost of the entertainment is not excessive; the entertainment is not unique, frequent, or lavish; and is not solicited or preconditioned on any business. Employees are also required to pre-clear any special entertainment that is given to the business partner and all entertainment given to government officials and unions or union employees, regardless of value. Employees must also report any special entertainment they receive. In addition,

investment professionals must reimburse all business entertainment valued at over \$100. Gift giving or receiving must be appropriate and cannot exceed \$100 to or from a business partner. Employees must report all gifts given or received, except low-cost promotional items. Pyramis and Fidelity employees are also required to acknowledge their compliance and understanding of this policy upon employment and annually. Pyramis employees are also trained on this policy on an annual basis.

#### **Political Contribution and Activity Policy**

All Pyramis and Fidelity employees are subject to the Policy on Political Contributions and Activity. The policy requires Pyramis and Fidelity employees to pre-clear (subject to certain exceptions) political contributions, fundraising activities, volunteer activities and Fidelity corporate contributions through the Ethics Office. Employees must also pre-clear political contributions by immediate family members in certain states as described in the policy. The purpose of the policy is to ensure that political contributions and fundraising activities by Pyramis or Pyramis employees do not bring Pyramis into violation of any applicable federal, state or local laws.

#### **Foreign Anti-Corruption Policy**

The Corporate Foreign Anti-Corruption Policy supplements the Fidelity Corporate Policy on Business Entertainment and Workplace Gifts and applies to all employees of Pyramis and Fidelity. The purpose of this policy is to provide guidance for dealing with foreign officials as it relates to business entertainment, payments, and gifts. This policy encompasses the requirements of the US Foreign Corrupt Practices Act by prohibiting employees from offering, promising, giving, or authorizing anything of value to a foreign official with the intent to obtain or retain business or any other advantage, including reductions in

taxes, tolerance of noncompliance with rules or any other favor or preferential treatment. Facilitation or “grease payments” are also prohibited under this policy. In addition, as this policy supplements the Fidelity Corporate Policy on Business Entertainment and Workplace Gifts, employees are required to obtain preapproval of and report all gifts and entertainment provided for foreign government officials. Violations of this policy, as with any other Pyramis and Fidelity policy, are treated seriously and may result in sanctions.

#### **Outside Activities and Affiliations Policy**

The Outside Activities and Affiliations Policy requires all Pyramis and Fidelity employees to obtain written approval from the Fidelity Ethics Office prior to engaging in certain activities outside Pyramis and Fidelity. The purpose of this policy is to minimize any actual or apparent conflicts of interest without unnecessarily restricting those outside activities. In addition, this policy will help to review situations that may interfere with an employee’s ability to effectively perform his or her job. The activities that require approval include, among other activities, any employment or self-employment for compensation; serving as a director, officer, partner or trustee of certain organizations or businesses; and any activity where an employee manages or advises a portfolio or effects security transactions.

#### **Conflicts of Interest Situations Policy**

The Conflict of Interest Situations Policy requires that employees avoid situations that could present the appearance of a conflict between their interests and the interests of Pyramis, Fidelity and their customers. Employees are required to disclose to their manager and the Fidelity Ethics Office any situation that could present an actual or apparent conflict of interest, erring on the side of disclosure in questionable circumstances.

# Brokerage Practices

## **Selection of Brokers and Dealers to Effect Client Transactions**

Pyramis or its affiliates generally have authority to select brokers (whether acting as a broker or a dealer) with which to place clients' portfolio transactions. Pyramis or its affiliates may be responsible for the placement of portfolio transactions for certain client accounts for which an affiliate or related person has investment discretion. In selecting a broker or dealer for a specific securities transaction, Pyramis or its affiliates evaluate a variety of criteria and use good faith judgment in seeking to obtain execution of portfolio securities transactions at commissions that are reasonable in relation to the brokerage and research services provided.

Pyramis or its affiliates may be authorized to place portfolio transactions with Fidelity Capital Markets (FCM), a division of NFS, an affiliated broker-dealer of Pyramis and its affiliates, or other broker-dealers with whom they are under common control, and use CrossStream, an alternative trading system operated by NFS, if they reasonably believe the quality of the transaction is comparable to what it would be with other qualified broker-dealers. With respect to client trades that are executed by Pyramis' affiliates, Pyramis and such affiliates seek to ensure that the trade execution obtained is comparable to that of unaffiliated brokers and that the continued use of such affiliate is appropriate.

With respect to Canadian mutual funds and other Canadian institutional accounts, Pyramis or its affiliates are authorized to place portfolio transactions with FCM if the price payable is not more than the ask price publicly quoted and in common use (in the case of a purchase), or

is not less than the bid price publicly quoted and in common use (in the case of a sale).

Pyramis or its affiliates may place client trades with broker-dealers that use NFS as a clearing agent. In addition, Pyramis or its affiliates may place client trades with broker-dealers that use NFS as a clearing agent.

Transactions executed by affiliated brokers on behalf of US investment company clients are effected in accordance with Rule 17e-1 under the 1940 Act, and procedures approved by the board of trustees of each US investment company.

Pyramis or its affiliates may execute transactions between clients of Pyramis or its affiliates, including investment company clients, non-investment company clients, and other non-advisory clients (agency cross transactions). When effecting such cross transactions, Pyramis or its affiliates may have a potentially conflicting division of loyalties and responsibilities regarding both parties to such transactions. Such transactions will, to the extent applicable, be executed in accordance with applicable law, including (i) Rule 206(3)-2 under the Advisers Act, requiring written consent, confirmations of transactions, and annual reporting, (ii) for clients that are investment companies registered under the 1940 Act, procedures adopted by the board of trustees of such clients pursuant to Rule 17e-1 under the 1940 Act, and (iii) the Employee Retirement Income Security Act of 1974.

In selecting securities brokers, including affiliates of Pyramis, to execute client portfolio securities transactions, Pyramis or its affiliates consider the factors they deem relevant in the context of a particular trade and in regard to Pyramis' or its affiliates' overall





responsibilities with respect to the account and other investment accounts, including any instructions from the client's portfolio manager, which may emphasize, for example, speed of execution over other factors. Based on the factors considered, Pyramis or its affiliates may choose to execute an order using electronic communication networks (ECNs), including algorithmic trading, crossing networks, direct market access and program trading, or by actively working an order. Other possibly relevant factors may include, but are not limited to, the following: price; the size and type of the securities transaction; the reasonableness of compensation to be paid, including spreads and commission rates; the speed and certainty of trade executions, including broker willingness to commit capital; the nature and character of the markets for the security to be purchased or sold, including the degree of specialization of the broker in such market or securities; the availability of liquidity in the security, including the liquidity and depth afforded by a market center or market-maker; the reliability of a market center or broker; the broker's overall trading relationship with Pyramis and/or its affiliates; the trader's assessment of whether and how closely the broker likely will follow the trader's instructions to the broker; the degree of anonymity that a particular broker or market can provide; the potential for lessening or avoiding market impact; the execution services rendered on a continuing basis; the execution efficiency, settlement capability and financial condition of the firm; arrangements for payment of fund expenses, if applicable; and the provision of additional brokerage and research products and services, if applicable.

In seeking best qualitative execution for portfolio securities transactions, Pyramis and/or its affiliates may select a broker that uses a trading method, including algorithmic trading, for which the broker may charge a higher commission than its lowest available commission rate. Pyramis and/or its affiliates also may select a broker that charges more than the lowest available commission rate available from another broker. Pyramis and/or its affiliates may execute an entire securities transaction with a broker and allocate all or a portion of the transaction and/or related commissions to a second broker where a client does not permit trading with an affiliate of Pyramis or in other limited situations. In those situations, the commission rate paid to the second broker is generally the same as the commission rate paid to the executing broker. For futures transactions, the selection of a futures commission merchant is generally based on the overall quality of execution and other services provided by the futures commission merchant. Pyramis and/or its affiliates may choose to execute futures transactions electronically.

Pyramis and certain of its affiliates will generally use separate trading facilities to execute the trades for its respective clients. As a result, an affiliate of Pyramis may, from time to time, execute a transaction on behalf of one of its accounts that may have an adverse effect on the terms of other transactions subsequently executed by Pyramis on behalf of an account (e.g., when a purchase on behalf of an account managed by an affiliate of Pyramis increases the value of a security subsequently purchased by a client of Pyramis, or when a

sale by an account managed by an affiliate of Pyramis lowers the sale price received and subsequent sale by a client of Pyramis). Although Pyramis and certain of its affiliates may use separate trading facilities, because of regulatory and prudential limits on aggregate ownership of certain securities by Pyramis and its affiliates, purchases of such securities by Pyramis' clients may be limited.

As an investment adviser, Pyramis has a duty of care in making and implementing investment decisions on behalf of client accounts. To the extent that a material error in the investment process occurs, Pyramis' policy is to identify and resolve the error as promptly as possible. Pyramis will address and resolve investment process-related errors based on each error's facts and circumstances. In some instances, resolution of trading or processing errors may include reimbursement to an account when it involves a mistake in which Pyramis has, in Pyramis' reasonable view, deviated from the required standard of care, resulting in a loss to a client account. In other cases, remediation for investment process-related errors resulting from trades executed by Pyramis may be handled outside the client account in a separate error account. Because certain of Pyramis' or its affiliates' clients may have accounts or portions of accounts that are executed in different trading facilities by Pyramis and its affiliates, or subject to different law or regulation, a client's accounts or portions of accounts may be subject to different error resolution processes.

If Pyramis grants investment management authority to a sub-adviser, that sub-adviser will be authorized to provide the services described in the sub-advisory agreement, and generally will do so in accordance with the policies described above. To facilitate the execution of securities transactions in non-US markets, Pyramis or its affiliates have entered into trading services and or discretionary investment advisory agreements with FIL or its

subsidiaries that include registered investment advisers. Therefore, client transactions in overseas markets may be executed by FIL or its affiliates. Furthermore, to facilitate trade settlement and related activities in non-US securities transactions, Pyramis or its affiliates may effect spot foreign currency transactions with foreign currency dealers.

The funds to which Pyramis provides management services may obtain custodial, clearing and related services through prime brokerage arrangements. These arrangements facilitate fund borrowings and permit the funds to use other brokers to execute transactions, while maintaining only a limited number of custodial relationships. A prime broker is compensated primarily through interest on credit balances, margin borrowings, stock loans and brokerage fees and commissions. In selecting prime brokers, Pyramis considers, among other things, the clearance and settlement capabilities of the prospective prime broker, the prime broker's ability to provide effective and efficient reporting, the prime broker's creditworthiness and financial stability, and the likelihood that the prime broker will often be chosen as an executing broker on the basis of the considerations described above with respect to the selection of brokers. A prime broker may provide services to Pyramis, distinct from the custodial, lending and related services the prime broker provides to the funds or other accounts. The prime broker may introduce Pyramis to prospective investors in a fund. To the extent Pyramis receives such services, conflicts may exist between Pyramis' interests and the interests of the relevant fund.

#### **Investment Research Products and Brokerage Services Furnished by Research Providers and Brokers**

Pyramis and its affiliates have established policies and procedures relating to brokerage commission uses in compliance with Section 28(e) of the Exchange Act. Pyramis or its

affiliates may execute portfolio transactions with brokers that provide brokerage and research services (as defined in Section 28(e) of the Exchange Act) (Research and Brokerage Services) that assist them in fulfilling their investment management responsibilities in accordance with applicable law. Research and Brokerage Services that Pyramis or its affiliates may have received during the last fiscal year include, but are not limited to, economic, industry, company, municipal, sovereign (US and non-US), legal or political research reports; market color; company meeting facilitation; compilation of securities prices, earnings, dividends and similar data; quotation services, data, information and other services; analytical computer software and services; and investment recommendations. Pyramis or its affiliates may request that a broker provide a specific proprietary or third-party product or service. Some of these Research and Brokerage Services supplement Pyramis' or its affiliates' own research activities in providing investment advice to their clients. In addition to receiving these Research and Brokerage Services via written reports and computer-delivered services, such reports may also be provided by telephone and in personal meetings with securities analysts, corporate and industry spokespersons, economists, academicians and government representatives and others with relevant professional expertise.

In addition, Research and Brokerage Services may include those that assist in the execution, clearing and settlement of securities transactions, as well as other incidental functions (including, but not limited to, communication services related to trade execution, order routing and algorithmic trading, post-trade matching, exchange of messages among brokers or dealers, custodians and institutions, and the use of electronic confirmation and affirmation of institutional trades).

Although Pyramis or its affiliates do not use client commissions to pay for products or services that do not qualify as Research and Brokerage Services, they may use commission dollars to obtain certain products or services that are not used exclusively in their investment decision-making process ("mixed-use products or services"). In those circumstances, Pyramis or its affiliates will make a good faith judgment to evaluate the various benefits and uses to which they intend to put the mixed-use product or service, and will pay for that portion of the mixed-use product or services that does not qualify as Research and Brokerage Services with their own resources (referred to as "hard dollars").

To the extent permitted by applicable law, brokers who execute client transactions may receive compensation in recognition of their Research and Brokerage Services that is in excess of the amount of compensation that other brokers might have charged. In addition, Pyramis or its affiliates may have an incentive to select or recommend a broker-dealer based on its interest in receiving the Research and Brokerage Services, rather than on Pyramis' or its affiliates' clients interest in receiving most favorable execution. In connection with the allocation of client brokerage, Pyramis or its affiliates make a good faith determination that the compensation paid to brokers and dealers is reasonable in relation to the value of the Research and Brokerage Services provided to Pyramis or its affiliates, viewed in terms of the particular client transaction for the client or Pyramis' or its affiliates' overall responsibilities to that client or other clients for which Pyramis or its affiliates have investment discretion; however, each Research and Brokerage Service received in connection with a client's brokerage may not benefit all clients. While Pyramis or its affiliates may take into account the Research and Brokerage Services provided by a broker or dealer in determining whether

compensation paid is reasonable, neither Pyramis, its affiliates, nor their respective clients incur an obligation to any broker, dealer or third party to pay for any Research and Brokerage Services (or portion thereof) by generating a specific amount of compensation or otherwise. Typically, these Research and Brokerage Services assist Pyramis or its affiliates in terms of their overall investment responsibilities to a client or any other client accounts for which Pyramis or its affiliates may have investment discretion. Certain client accounts may use brokerage commissions to acquire Research and Brokerage Services that may also benefit other client accounts managed by Pyramis or its affiliates.

Pyramis' or its affiliates' expenses likely would be increased if they attempted to generate these additional Research and Brokerage Services through their own efforts or if they paid for these Research and Brokerage Services with their own resources. However, the trading desks of Pyramis and its affiliates are instructed to execute portfolio transactions on behalf of their clients based on the quality of execution without any consideration of Research and Brokerage Services that the broker or dealer might provide. The administration of Research and Brokerage Services is managed separately, which means that traders have no responsibility for administering soft dollar activities. Furthermore, certain of the Research and Brokerage Services that Pyramis or its affiliates receive are furnished by brokers on their own initiative, either in connection with a particular transaction or as part of their overall services. Some of these Research and Brokerage Services may be provided at no additional cost to Pyramis or its affiliates or might not have an explicit cost associated with them. In addition, Pyramis or its affiliates may request a broker to provide a specific proprietary or third-party product or service, certain of which third-party products or services may be provided

by a broker that is not a party to a particular transaction and is not connected with the transacting broker's overall services.

Pyramis or its affiliates have arrangements with certain third-party research providers and brokers through whom Pyramis or its affiliates effect client trades, whereby Pyramis or its affiliates may pay with account commissions or hard dollars for all or a portion of the cost of research products and services purchased from such research providers or brokers. If hard dollar payments are used, Pyramis or its affiliates may still cause the client to pay more for execution than the lowest commission rate available from the broker providing research products and services to Pyramis or its affiliates, or that may be available from another broker. Pyramis and its affiliates view hard dollar payments for research and products and services as likely to reduce the client's total commission costs even though it is expected that in such hard dollar arrangements the commissions available for recapture and used to pay client expenses, as described below, will decrease. Pyramis' or its affiliate's determination to pay for research products and services separately (e.g., with hard dollars), rather than bundled with client account commissions, is wholly voluntary on Pyramis' or its affiliate's part and may be extended to additional brokers or discontinued with any broker participating in this arrangement.

**Other Considerations and Brokerage Arrangements; Commission Recapture**

Pyramis or its affiliates may allocate brokerage transactions to brokers who are not affiliates of Pyramis who have entered into arrangements with Pyramis or its affiliates under which the broker, using a predetermined methodology, rebates a portion of the compensation paid by a client account to offset that client account's expenses. Not all brokers with whom the client account trades have been asked to participate in brokerage commission recapture.

Pyramis and its affiliates recommend that clients do not request them to direct client portfolio transactions to specific brokers. Clients may nonetheless make such requests, and Pyramis or its affiliates may direct such brokerage, subject to quality execution and provided that the broker is an approved counterparty of Pyramis or its affiliate. Clients should be aware that if they direct portfolio transactions to specific brokers (a) Pyramis or its affiliates may be unable to achieve most favorable execution of such directed transactions; (b) they may pay higher brokerage commissions on such directed transactions because Pyramis or its affiliates may be unable to aggregate such directed transactions with other orders; and (c) the client may receive less favorable prices on such directed transactions.

In selecting brokers for non-private fund clients of Pyramis to execute client portfolio transactions, Pyramis or its affiliates consider the factors they deem relevant in the context of a particular trade and in regard to Pyramis' or its affiliates' overall responsibilities with respect to the account and other investment accounts, including any instructions from the client's portfolio manager. Pyramis and its affiliates do not receive client referrals for such selection. See above for more information.

As described above, Pyramis' funds may use prime brokers. In selecting prime brokers, Pyramis considers, among other things, the clearance and settlement capabilities of the prospective prime broker, the prime broker's ability to provide effective and efficient reporting, the prime broker's creditworthiness and financial stability, and the likely frequency that the prime broker will be chosen as an executing broker on the basis of the considerations described above with respect to the selection of brokers. A prime broker may provide services to Pyramis, distinct from the custodial, lending and related services the

prime broker provides to the funds or other accounts. The prime broker may introduce Pyramis to prospective investors in a fund. To the extent Pyramis receives such services, conflicts may exist between Pyramis' interests and the interests of the relevant fund.

To facilitate trade settlement and related activities in non-US securities transactions, Pyramis or its affiliates may effect spot foreign currency transactions with foreign currency dealers or may engage a third party to do so. In certain circumstances, a Pyramis client may direct the execution of foreign currency transactions with or through a particular party.

#### **Trade Allocation Policies**

##### ***Bunched Trades***

For trades executed on behalf of Pyramis' clients by an affiliate, it is the practice, when appropriate, to combine, or "bunch" orders of various accounts, including those of its clients, its affiliates' clients (including Pyramis) and proprietary accounts, for order entry and execution. For trades executed on behalf of Pyramis' clients by Pyramis, it is Pyramis' practice, when appropriate, to bunch orders of various accounts, including those of its client and proprietary accounts and IPOs, for order entry and execution. Bunched orders may be executed through one or more brokers. The allotment of trades among brokers is based on a variety of factors, which may include price, order size, the time of order, the security and market activity. A bunched trade executed with a particular broker is generally allocated pro rata among the accounts that are participating in the bunched trade until any account has been filled, after which the trade is allocated pro rata among the remaining accounts. Each broker's execution of a bunched order may be at a price different from another broker's bunched order execution price for the same security.

### ***Allocation of Trades***

Pyramis and its affiliates that execute trades on behalf of Pyramis' clients have established allocation policies for their various accounts (including proprietary accounts) and securities types (e.g., equity, fixed income, high income and private market real estate) to ensure allocations are appropriate given its clients' differing investment objectives and other considerations. These policies also apply to initial public and secondary offerings. When, in the opinion of such executing party with respect to trades executed on behalf of Pyramis' clients by an affiliate, the supply/demand is insufficient under the circumstances to satisfy all outstanding trade orders, the amount executed generally is distributed among participating accounts based on account asset size (for purchases), and security position size (for sales), or otherwise according to the allocation policies. With respect to trades executed on behalf of Pyramis' clients by Pyramis, when, in the opinion of Pyramis, the supply/demand is insufficient under the circumstances to satisfy all outstanding trade orders for all types of clients (e.g., accounts with an international focus), the amount executed is generally distributed among participating accounts based on proportion to order size, or otherwise according to the allocation policies. Trades are executed by traders based on orders or indications of interest for clients, which are established prior to or at the time of a transaction. In the case of equities and fixed income securities, the trading systems contain rules that allocate trades on an automated basis, in accordance with the respective policies of Pyramis and its affiliates. Generally, any exceptions (i.e., special allocations) to such policies must be approved by senior trading and compliance personnel and documented.

The respective trade allocation policies of Pyramis and its affiliates identify circumstances under which it is appropriate to deviate from the general allocation criteria and describe the alternative procedures. The trade allocation policies generally provide for minimum allocations based on market-defined minimum denominations, and the equity trade allocation policies provide for a minimum allocation for securities in offerings and secondary market trades. For trades executed on behalf of Pyramis' clients by affiliates, international funds may receive an increased allocation where the securities match the investment objective or focus of the account. In addition, if a standard allocation would result in a client receiving a very small allocation (e.g., because of its small asset size), the client may receive an increased allocation to achieve a more meaningful allocation, or the client may receive no allocation. The respective policies of Pyramis and its affiliates also provide for the execution of program trades and short sales notwithstanding the existence of active orders for individual securities on the trading desk, provided that consideration is given to whether the program trade or short sale might have a material effect on other active orders on the trading desk. Furthermore, compliance with such program could result in accounts, including privately offered funds managed by Pyramis or its affiliates, being restricted from making certain trades and investments that they would have otherwise made.

The respective fixed income trade allocation policies of Pyramis and its affiliates provide that clients specializing in a particular type of security, such as single-state municipal bond funds, may receive an increased allocation of obligations that are tax-exempt within their state. These fixed income trade allocation policies also provide for certain alternative procedures for money market funds when they

are purchasing money market instruments. The high income and fixed income allocation policies define the applicable net assets to be used in the allocation process, generally by reference to the assets managed by the fixed income or high income divisions, respectively, and by reference to certain security and portfolio types.

Certain of Pyramis' or its affiliates' clients may have accounts or portions of accounts that are executed in different trading facilities respectively by Pyramis and other affiliates. As a result, a client's accounts or portions of accounts may be subject to differing trade allocation policies as described above.

## Counterparties

Pyramis leverages Fidelity's Counterparty Research & Analysis (CRA) group to ensure that all potential counterparties with which it does business meet its credit standards. CRA has specific criteria for recommending potential counterparties and has a formal, written set of standards with which CRA approved counterparties must comply.

Before a counterparty can establish a relationship with Fidelity, a formal approval process must be completed. The counterparty must obtain a sponsor from within Fidelity (i.e., a trader or portfolio manager must acknowledge his or her interest in doing business with the firm). The counterparty must submit audited financial statements and, in certain circumstances, the financial statements of parent companies and affiliates. It must also provide other information detailing the history and organizational structure of the counterparty. Based on this information, CRA credit analysts determine whether or not the counterparty meets the minimum standards. If these standards are met, the analysts will conduct their own independent, fundamental analysis of the

counterparty and assign a proprietary credit rating accordingly. The approach taken to assigning ratings and conducting research on counterparties is characteristic of Fidelity's overall bottom-up research approach. Once approved, counterparties are expected to settle transactions in accordance with established terms and conditions. If a counterparty does not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, it could cause the Pyramis client portfolio to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a client portfolio has concentrated its transactions with a single or small group of counterparties.

# Antidilution Policy

Pyramis employs a process to isolate costs associated with participating plans' contributions to, or redemptions from, Pyramis collective investment products. Commonly referred to as an anti-dilution policy, the intent of this process is to ensure that clients investing in Pyramis' collective investment vehicles only bear the cost of transactions that they themselves generate.

## **Cash Flow Considerations**

For every cash inflow into a collective investment product, there is a cost associated with investing that cash. Likewise, there are costs associated with selling securities in order to meet redemption requests. In certain markets, these costs can be significant, resulting in a negative impact to the fund's NAV and performance.

By ensuring that the transaction costs resulting from contributions or redemptions are charged to the plans that generate them, all participating plans are treated equitably. Pyramis believes that certain cash flows generated by investors, based in actual dollars or as a percentage of a collective vehicle's asset value, have a material impact on other investors in that vehicle. As a result, the policy ensures that costs created by cash flows are not borne by all plans within a collective vehicle, but instead are borne by the plan initiating the cash flow. There are two methods that PGA utilizes to ensure that the plan initiating a cash flow absorbs the cost of that transaction.

## **Methods for Antidilution Handling**

First, at certain market values, purchases will be handled by structuring a portfolio of individual securities in a separate transition account, which will then be transferred in kind into the collective investment vehicle. Similarly, sales will be handled by transferring the client's pro rata share of securities out of the collective vehicle and into a transition account, in which the client will bear the subsequent liquidation costs.

The second method is the use of flat fees. The fees are intended to approximate the historical cost of investing or selling securities in each collective investment vehicle and include bid/ask spreads, broker commissions, market impact, transfer costs, and any applicable stamp or other taxes charged in various local markets. The fees will be periodically adjusted to reflect changes in markets and securities, and will vary by the investment discipline.

Generally speaking, the use of transition accounts versus flat charges and sales/redemption loads is dependent on the actual dollar amount of the cash flow. Buying or selling small amounts of securities, via a transition account, is often more costly than the established flat charges or loads. The larger the cash flow, the more cost effective the transition account becomes. However, for some Pyramis collective investment vehicles, only the flat fee method is available due to the nature of the vehicle.

In the case of the flat fee method, the firm in no way benefits from these charges; they are paid directly to the collective investment vehicle, effectively compensating existing shareholders for the costs of investing new money or raising cash for other clients. We believe the policy is based on fundamental principles of fairness and is in the best interest of all investors.



# Review of Accounts

Each portfolio manager of Pyramis and any applicable investment review groups or committee reviews the holdings in the funds or accounts for which he or she is responsible. Account assignments are made based on several factors, including the experience and seniority of the portfolio managers, the complexity of the strategies, and the similarities among strategies assigned to a portfolio manager. A portfolio manager may manage two or more accounts, and generally the accounts have similar investment objectives and may draw on research and trading staffs for support. If Pyramis has delegated advisory services to an affiliated subadviser, portfolio managers of the affiliated subadviser generally follow the same review guidelines.

In its role as an adviser or subadviser, Pyramis may supply the boards of trustees of Pyramis' registered US investment company clients with monthly reports providing, among other items, comparative performance data and periodic brokerage commission reports.

Reports to other non-investment company and unregistered investment fund clients may be prepared as requested by such clients, and clients of Pyramis and its affiliates may receive customized or different reports than other clients. Pyramis or its affiliates may also supply to investors in unregistered funds it or its affiliates manage monthly unaudited performance information and annual audited financial statements.

# Client Referrals and Other Compensation

Pyramis and its affiliates may compensate affiliates for client referrals. Discretionary compensation of Pyramis' sales personnel may be based in part on their success in raising assets on behalf of Pyramis.

## Custody

Pyramis may be deemed to have custody of client assets under the Advisers Act, as applicable, because it may be deemed to deduct its advisory fees directly from certain of its private fund clients' accounts (even though an independent, qualified custodian has been appointed by such funds or accounts to serve as custodian).

Clients will receive account statements from the independent, qualified custodian or prime broker that has been appointed to serve as custodian with respect to clients' accounts. Clients should carefully review those statements.

# Investment Discretion

Pyramis' discretionary authority to manage accounts on behalf of its clients and any limitations that may be imposed on such authority are described in the "Advisory Business" section of this brochure. Pyramis typically assumes this authority after the execution of a duly authorized investment management agreement, which may incorporate a power of attorney.

# Voting Client Securities

## **Proxy Voting**

Pyramis or its affiliates generally cast votes on behalf of client accounts by proxy at shareholder meetings of issuers in which Pyramis invests client assets. Pyramis and its affiliates have established formal written proxy voting guidelines (the "Guidelines"), which are designed to ensure that proxies are voted in accordance with the best interests of clients as determined by Pyramis' or its affiliates' sole judgment. FMR provides proxy voting services to Pyramis and its affiliates.

As a general rule, the Guidelines call for Pyramis or its affiliates to vote in favor of routine management proposals, in favor of incumbent directors, and to evaluate shareholder proposals by their likelihood to enhance the economic returns of the portfolio company or to maximize shareholder value.

## **Proposals Relating to Changes in Corporate Control**

The Guidelines generally oppose measures that are designed to prevent or obstruct corporate takeovers. Such measures include

fair price amendments, classified boards, "blank check" preferred stock, executive "golden parachutes," shareholder rights plans ("poison pills"), restricting the right to call special meetings, supermajority provisions and any other provision that eliminates or limits shareholder rights.

## **Proposals Relating to Equity-Based Compensation Plans**

While Pyramis or its affiliates evaluate equity-based compensation plans on a case-by-case basis, the Guidelines generally call for voting against plans or plan amendments that cause excessive dilution to existing shareholders, have option exercise prices less than 100% of fair market value on the date of grant, include an evergreen provision, do not include minimum vesting requirements, provide for the acceleration of vesting of equity awards even though an actual change in control may not occur or give the ability to re-price outstanding stock options without shareholder approval.

### ***Proposals Relating to Shareholder Rights***

The Guidelines generally (i) support simple majority voting, (ii) oppose cumulative voting, (iii) support confidential voting, and (iv) oppose supermajority voting requirements.

### ***Directors***

Pyramis or its affiliates will generally withhold authority for the election of all directors or directors on responsible committees if, among other things, a poison pill or other anti-takeover provision was adopted or extended without shareholder approval; options were repriced without shareholder approval; the board is not composed of a majority of independent directors; the director attended less than 75% of the aggregate number of board or committee meetings during the company's prior fiscal year; or executive compensation appears misaligned with shareholder interests or is otherwise problematic, taking into account certain factors, which include, but are not limited to (i) whether the company has an independent compensation committee, (ii) whether the compensation committee has authority to engage independent compensation consultants, and (iii) whether the company has adopted or extended a golden parachute without shareholder approval.

### ***Executive Compensation***


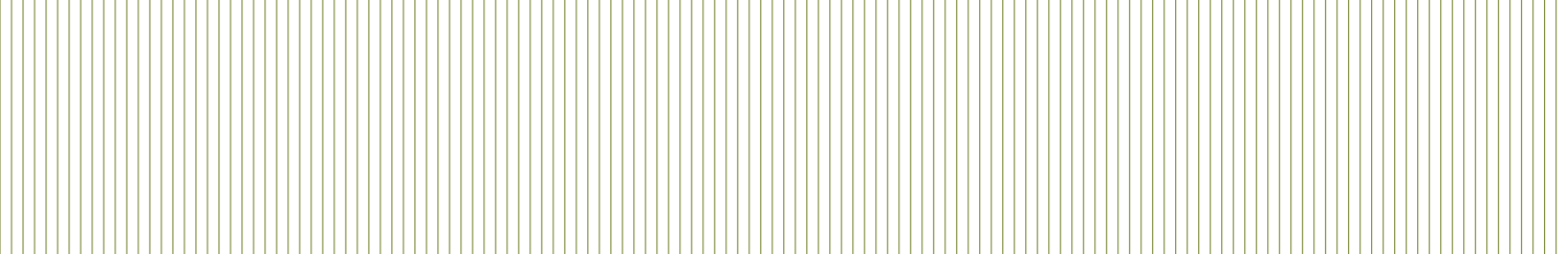
Pyramis or its affiliates will consider withholding authority for the election of directors and voting against management proposals on stock-based compensation plans or other compensation plans based on whether the proposals are consistent with the interests of shareholders, taking into account such factors as (i) whether the company has an independent compensation committee, and (ii) whether the compensation committee has authority to engage independent compensation consultants.

### ***Conflicts of Interest***

The Guidelines have been designed so that proxies are voted in the best interest of Pyramis' and its affiliates' clients, as determined by Pyramis' or its affiliates' sole judgment, and to resolve potential conflicts of interest. Potential conflicts generally may arise in connection with business arrangements of Pyramis or its affiliates. For example, Pyramis' affiliates may manage or administer employee benefit plans, or provide brokerage, underwriting, insurance, or banking services to a company whose management is soliciting proxies. Pyramis or its affiliates may also have business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships. Pyramis or its affiliates vote shares in a manner consistent with the Guidelines and without regard to any other relationship, business or otherwise, that Pyramis or its affiliates may have with companies in which Pyramis invests client assets.

Pyramis' or its affiliates' Investment Proxy Research Group, which is part of Pyramis' or its affiliates' Investment Management Services department, is charged with administering the Guidelines provided to it by Pyramis.

The Guidelines provide that non-routine proposals not covered by the Guidelines or involving other special circumstances will be evaluated on a case-by-case basis with input from the appropriate Pyramis or its affiliate's analyst or portfolio manager, as applicable, subject to review by an attorney within Pyramis or its affiliate's General Counsel's office and a member of senior management with Pyramis or its affiliate or its affiliate's Investment Proxy Research Group. A significant pattern of such proposals or other special circumstances will be evaluated.



No set of guidelines can anticipate all situations that may arise, and as stated above, in certain cases the Guidelines may call for a vote only after consulting with Pyramis' or its affiliates' investment professionals to determine how a particular proxy proposal will affect the financial prospects of a company. Clients may obtain a complete set of Guidelines, as well as information on how their proxies were voted, by submitting a written request to the attention of Pyramis.

Clients may not direct Pyramis' vote if Pyramis has been given proxy voting authority.

In limited circumstances, clients have not provided Pyramis the authority to vote proxies, or may ask Pyramis to follow the client's investment voting guidelines. In such cases, Pyramis may engage a third party to vote such proxies.

## Financial Information

Pyramis is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.



Fidelity Asset  
Management™

900 Salem Street, Smithfield, RI 02917

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**PYRAMIS GLOBAL ADVISORS TRUST COMPANY**

March \_\_\_\_\_, 2012

San Mateo County Employees Retirement Association  
100 Marine Parkway, Suite 125  
Redwood Shores, California 94065  
Attn: Gary Clifton

Dear Mr. Clifton:

This letter agreement (the “Agreement”) between Pyramis Global Advisors Trust Company (Trustee) supplements the Trust Fund Documents (as defined below) and confirms our understanding relating to the investment by the San Mateo County Employees Retirement Association (the “Plan”) as a participant in the trust fund, as provided for in the: Declaration Of Trust Pyramis Group Trust For Employee Benefit Plans (As Amended and Restated Effective as of July 1, 2009); Declaration of Separate Fund Pyramis Select International Small Cap Plus Commingled Pool (effective October 18, 2010) ; Pyramis Global Advisors “Our Business and Policies” effective July 1, 2011; and the Participation Agreement For The Pyramis Group Trust For Employee Benefit Plans (Government DB Plan Version).

1. **Confidentiality.**

(a) The Trustee hereby acknowledges that, as local public agencies in the State of California, the Plan is a “public agency” subject to the provisions of the State of California Public Records Act (Cal. Govt. Code Sections 6250 et. seq.) (the “Public Records Act”), which provides generally that all records relating to a public agency’s business, including but not limited to its investment in the Trust, constitute “public records or files,” and are open to public inspection, disclosure and copying in the manner provided in the Public Records Act, unless specifically exempted under the Public Records Act (including, without limitation, exemptions on the grounds that such records represent proprietary information or trade secrets), and the Ralph M. Brown Act (Cal. Govt. Code Sections 54950 et seq.) (the “Open Meetings Act”), which provides generally for open meetings for local legislative bodies. In addition to the Public Records Act and Open Meeting Act, Trustee hereby acknowledges that

the Plan may also be subject to other various local and county ordinances which may also require public disclosure of certain information.

(b) The Trustee further acknowledges and agrees that the Plan intends to disclose periodically the name of the Trust, the date the investment was made by the Plan in the Trust, the amount of cash distributed to the Plan by the Trust, the market value of the Plan's investment in the Trust, and the net internal rate of return of the Plan's investment in the Trust. The Trustee consents in advance to such disclosures with respect to the Trust and any such disclosure shall not constitute a breach of this Agreement. The Trustee hereby represents and warrants that it shall not make any claim against the Plan if the Plan makes available to the public any of the foregoing.

(c) In the event that pursuant to the Public Records Act, the Open Meetings Act, the Plan is requested to disclose information concerning the Trust other than that information detailed in Paragraph 1(c) above, the Plan shall provide the Trustee with prompt written notice of such request, including a detailed summary of the additional information being requested, and inform the Trustee of the deadline for responding to such request in order to enable the Trustee (i) to seek an appropriate protective order or other remedy, or (b) to consult with the Plan on taking steps to resist or narrow the scope of such request.

2. **Most Favored Nations.**

If the Trustee has entered into or will enter into an agreement with a different Plan (a "other Plan") whose investment is of comparable or smaller size to the Plan's granting rights or terms, including terms relating to any fees but excluding provisions agreed upon in order to accommodate an Plan's tax, regulatory or similar status, that are more favorable in any material respect than the rights and terms granted with respect to the Plan, the Trustee shall notify and offer the same favorable terms to the Plan.

3. **Legal Actions.**

a) The Trustee represents that there have been no criminal actions or proceedings (pending on appeal or concluded) or investigations (other than routine examinations) against the Trust, or the Trustee or their affiliates within the last five years, nor have there been any administrative or civil actions, suits or proceedings (pending, on appeal, or concluded) or investigations (other than routine examinations) during such period against such persons that were commenced by: (i) any governmental authority or agency in connection with an alleged violation of any securities laws or regulations or (ii) any other person that



either asserted fraud or securities law violations that, in the case of clause (i) or clause (ii) above, is material to the operation of the Trust or the Trustee.

- b) The Trustee shall notify the Plan immediately of (i) any lawsuits or legal proceedings in which the Trust, the Trustee, or their affiliates are a named party or witness, or (ii) any lawsuit or legal proceedings pending of which they are aware which may, in the case of clause (i) or clause (ii) above, materially adversely affect the ability of the Trustee to perform its obligations if adversely decided.
  - c) The Trustee shall notify the Plan immediately of any investigation (other than routine examinations or sweep examinations focused outside the Trust's investment strategy) by the Securities and Exchange Commission or any other regulatory or administrative body with authority over the Trustee or their affiliates which involve the Trustee, or their affiliates that materially adversely affect the ability of the Trustee to perform its respective obligations under the Trust.
4. **Investment Strategy and Restrictions.** The Trustee agrees to provide the Plan with 90 calendar days' prior written notice of a fundamental change in the investment strategy from that described in the Trust Documents.
5. **Fiduciary Duties.** The Trustee agrees to carry out its fiduciary duties with respect to the Plan with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matter would use in the conduct of a like character and with like aims, and with respect to all investment opportunities, to allocate such opportunities among the clients and entities managed by the Trust on a fair and equitable basis.
6. **Changes to Valuation Policy.** The Trustee shall provide the Plan with notice of any change in the valuation policy as set forth in Article V of the Declaration of Trust.
7. **Insurance.** The Trustee (a) represents and warrants that it has D&O insurance providing for coverage in an amount equal to at least \$30 million and (b) agrees to use commercially reasonable efforts (subject to market availability) to maintain D&O insurance coverage of not less than \$20 million at all times during the term of the Partnership. The Trustee shall provide the Plan with notice of any material changes in insurance and any material claims made against the insurance policy or policies.
8. **Immunity.** The Trustee acknowledges that Plan reserves all immunities, defenses, rights or actions arising out of Plan's status, to which Plan may be entitled. No provision of the Trust documents shall be construed as a waiver or limitation of such immunities, defenses, rights or actions.

9. **Governing Law.** This Letter Agreement will be governed by and construed in accordance with the laws of the State of California, without regard to the laws that might otherwise govern under applicable principles of conflicts of laws thereof.
10. **Venue; Jury Trial.** Because of the Plan's status as a public agency of the State of California, in the event that any action shall be brought by any party under this letter, the Trust documents, the parties hereto agree that trial of such action shall be exclusively vested in a state court in the County of San Mateo, or where appropriate, in the United States District Court for the Northern District of California, San Francisco, California. The Trust and the Trustee acknowledge and agree that the Plan does not waive its right to a trial by jury.
11. **California Political Reform Act.** The Trustee, as applicable, in its capacity as a consultant (as that term is defined in the California Government Code) to Plan, will comply with the requirements of the California Political Reform Act, California Government Code 87100 et seq., and its implementing regulations. Such requirements include the filing of a "Form 700" upon engagement, upon termination of the engagement, and annually during the term of the engagement.
12. **Placement Agent Policy.** The Trust confirms that no placement fees have been paid by the Trust or any affiliate in connection with the investment made by the Plan on or about the date hereof. The Trustee acknowledges that it has received the Plan's Placement Agent Disclosure Policy, adopted pursuant to the California Government Code, and attached hereto as Exhibit A, and agrees to comply with this policy. The Trustee further acknowledges that it has completed the Plan's Placement Agent Information Disclosure Form (the "Form"), and represents and warrants to the accuracy of the information that the Trustee has provided in the Form. If any information provided by the Trustee in the Form changes, the Trustee agrees to update the Plan within 30 calendar days of the date that the Trustee knew or should have known of the change in information.

Sincerely,

By: Pyramis Global Advisors Trust Company

By: \_\_\_\_\_

Name:

Title:

San Mateo County Employees Retirement Association

By: \_\_\_\_\_

Name: \_\_\_\_\_

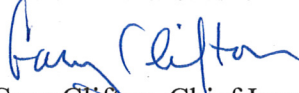
Title: \_\_\_\_\_

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 6.5

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of a Trust Agreement with Eaton Vance Trust Company for an Emerging Markets Equity Mandate

STAFF RECOMMENDATION: Staff recommends that the Board of Retirement adopt a resolution authorizing (1) the Chair to execute documentation with Eaton Vance Trust Company for an emerging market equity mandate with its subsidiary Parametric Portfolio Associates LLC. The product name is Structured Emerging Market Equity, (2) the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement and (3) an initial investment of \$50 million in the mandate

Comment: *SamCERA* completed a successful site visit with the Eaton Vance subsidiary, Parametric Portfolio Associates LLC, at its Seattle, Washington office on February 15, 2012. Details of the visit will be presented at the board meeting.

Attached you will find (1) the Eaton Vance Trust Company Collective Investment Trust For Employee Benefit Plans Amended and Restated Declaration of Trust, (2) the Eaton Vance Trust Company Collective Investment Trust For Employee Benefit Plans as Amended and Restated Supplemental Declaration Eaton Vance Trust Company / Parametric Structured Emerging Markets Equity Fund, (3) the Eaton Vance Trust Company / Parametric Structured Emerging Markets Equity Fund Offering Memorandum as of May 5, 2011, (4) Eaton Vance Trust Company Collective Investment Trust For Employee Benefit Plans Adoption Agreement, and (5) a draft side letter. This documentation is required by Pyramis. For a commingled product *SamCERA* must adopt the investment manager's agreement.

Legal counsel is currently reviewing the documentation and will provide comments at the board.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

RESOLUTION 11-12-

*RESOLUTION authorizing (1) the Chair to execute an agreement with Eaton Vance Trust Company for Emerging Markets Investment Management Services and (2) authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement.*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with "*plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system*"; and

**WHEREAS**, Government Code §31595 vests in the Board "*. . . exclusive control of the investment of the employees retirement fund.*"; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers "*. . . in connection with administration of the Board's investment program . . .*"; and

**WHEREAS**, in May 2010, the Board completed an international equity study, which resulted in restructuring the international equity asset class to include a dedicated emerging market mandate that would be 2.25 % of *SamCERA*'s entire portfolio; and

**WHEREAS**, on September 25, 2011, the Board considered proposals from ten firms for investment management services under an emerging market equity mandate. Dimensional Fund Advisors, Eaton Vance Trust Company (Parametric Portfolio Associates LLC), and Schroder Investment Management were invited to participate in an interview at the October board meeting; and

**WHEREAS**, on October 25, 2011, the Board interviewed representatives from the three finalists, selecting Eaton Vance Trust Company (Parametric Portfolio Associates LLC) for the mandate to be funded with approximately \$50 million; Therefore, be it

**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required documentation on behalf of the Board that has been approved by staff and counsel. Be it further

**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution

**EATON VANCE TRUST COMPANY**

**COLLECTIVE INVESTMENT TRUST FOR EMPLOYEE BENEFIT PLANS**

**AMENDED AND RESTATED**  
**DECLARATION OF TRUST**

Eaton Vance Trust Company, a limited purpose trust company established under the laws of the State of Maine (“EVTC”), hereby amends and restates, effective as of April 28, 2010, the Declaration of Trust originally dated December 23, 2004, as amended and restated February 26, 2008, establishing the Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans, a collective investment trust for employee benefit plans and other eligible entities. EVTC hereby declares that it shall act as trustee and shall hold and administer, in trust, on the terms and conditions set forth in this Amended and Restated Declaration of Trust, all property that may be transferred to or received by it from time to time as trustee hereunder.

It is intended that the Collective Trust and each Fund (as those terms are hereafter defined) shall qualify as a group trust under Internal Revenue Service Revenue Ruling 81-100, 1981-1 C.B. 326, or any successor ruling, regulation, or similar pronouncement, and this Declaration of Trust shall be construed, and the Collective Trust and each Fund shall be administered, to give effect to that intention.

For the avoidance of doubt, the Collective Trust is maintained exclusively for the commingling and collective investment of funds from other trusts, plans, or accounts that it holds. Notwithstanding any contrary provision in this Declaration of Trust, the Trustee is permitted, unless restricted in writing by an authorized fiduciary of the Participating Trust, to hold in a Fund established hereunder funds that consist exclusively of trust assets held under plans qualified under Code Section 401(a), eligible governmental plans that meet the requirements of Code Sections 401(a)(24) and 818(a)(6), and eligible governmental plans that meet the requirements of Code Section 457(b). For this purpose, a trust includes a custodial account that is treated as a trust under Code Section 401(f) or under Code Section 457(g)(3). For purposes of valuation, the value of the interest of any plan or account in such Fund shall be the fair market value of the portion of the Fund held for that plan or account, determined in accordance with the generally recognized valuation procedures adopted by the Trustee as provided in Article IV.

**ARTICLE I.**  
**DEFINITIONS**

Section 1.01 “Class” means a subdivision of Units of a Fund established by the Trustee to account for services to be provided, and Trustee compensation and expenses to be charged, to the Fund and its Participating Trusts, as provided in the Fund’s Supplemental Declaration.

Section 1.02 “Close of Trading” means the close of trading on the New York Stock Exchange (currently 4:00 p.m. Eastern Time) on a Valuation Date.

Section 1.03 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

Section 1.04 “Collective Trust” means the Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans established by this Declaration of Trust. Any reference herein to the Collective Trust shall, unless the context indicates otherwise, be deemed to refer to each Fund established and maintained hereunder.

Section 1.05 “Declaration of Trust” means this Amended and Restated Declaration of Trust and, unless the context indicates otherwise, the Supplemental Declaration of each Fund, as amended from time to time.

Section 1.06 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

Section 1.07 “Fund” means a separate trust fund established and maintained as a part of the Collective Trust for investment purposes in accordance with Section 3.01.

Section 1.08 “Liquidating Account” means a segregated account established and maintained in accordance with Section 3.08.

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Section 1.09 “Participating Trust” means any of the following with respect to which EVTC acts as trustee, investment manager, managing agent, custodian, or agent, and which the Trustee, in its discretion, has accepted as a Participating Trust:

- (a) a trust which is
  - (i) a pension, profit-sharing, or other employee benefit trust exempt from Federal income taxation under Section 501(a) of the Code by reason of qualifying under Section 401(a) of the Code and, if such trust covers one or more self-employed individuals within the meaning of Section 401(c)(1) of the Code, which satisfies the applicable requirements of the Securities Act of 1933, as amended from time to time (or Rule 180 of the Securities and Exchange Commission thereunder, or any successor ruling, regulation, or similar pronouncement), regarding participation in a collective investment trust; and
  - (ii) maintained pursuant to a plan or trust instrument which authorizes it to participate in the Collective Trust or in any other common, collective, or commingled trust fund and which specifically or in substance and effect adopts this Declaration of

Trust or the declaration of trust or other governing instrument under which such common, collective, or commingled trust fund is maintained, as a part of the plan of which such trust is a part; or

(b) any of the following plans which satisfies the applicable requirements of the Securities Act of 1933 and the Investment Company Act of 1940, as each is amended from time to time (or any applicable rules of the Securities and Exchange Commission thereunder), regarding participation in a collective investment fund:

(i) a plan established and maintained for its employees by the U.S. Government, by the government of any State or political subdivision thereof, or by any agency or instrumentality of the foregoing, within the meaning of Section 414(d) of the Code;

(ii) an eligible deferred compensation plan within the meaning of Section 457(b) of the Code established and maintained by an eligible governmental employer described in Section 457(e)(1)(A) of the Code; and

(iii) any other governmental plan or unit described in Section 818(a)(6) of the Code; or

(c) a separate account maintained in connection with a contract of an insurance company which consists solely of the assets of trusts and plans described in Section 1.09(a) and Section 1.09(b); or

(d) any common, collective, or commingled trust fund, including, without limitation, any such fund maintained by EVTC (including a Fund administered under this Declaration of Trust), which

(i) consists solely of the assets of trusts and plans described in Section 1.09(a), Section 1.09(b) and Section 1.09(c);

(ii) is exempt from Federal income taxation under Section 501(a) of the Code by reason of qualifying as a “group trust” under Revenue Ruling 81-100; and

(iii) is maintained pursuant to an instrument which authorizes it to participate in the Collective Trust or in any other common, collective, or commingled trust fund and which specifically or in substance and effect adopts this Declaration of Trust or the declaration of trust or other governing instrument under which such other common, collective, or commingled trust fund is maintained, as a part thereof.

Section 1.10 “Revenue Ruling 81-100” means Revenue Ruling 81-100 issued by the Internal Revenue Service, 1981-1 C.B. 326, as amended and supplemented



from time to time, and any successor ruling, regulation, or similar pronouncement.

Section 1.11 “Supplemental Declaration” means a declaration of trust executed by the Trustee pursuant to Section 3.01 for the purpose of establishing a Fund.

Section 1.12 “Transition Account” means an account established and maintained in accordance with Section 3.01.

Section 1.13 “Trustee” means EVTC, as trustee of the Collective Trust, or any trustee succeeding EVTC in accordance with Section 5.01.

Section 1.14 “Unit” means a book-entry record used to determine the value of the beneficial interest of each Participating Trust in the Collective Trust and each Fund thereof.

Section 1.15 “Valuation Date” means a day on or as of which the Trustee determines the value of the Units of a Fund as specified in the Supplemental Declaration of such Fund. Such determinations shall be made as of the close of business on such dates.

## **ARTICLE II. PARTICIPATION**

Section 2.01 Conditions of Participation. A trust or other entity described in Section 1.09 shall become a Participating Trust upon its acceptance by the Trustee, in the Trustee’s sole discretion. Any such trust or entity shall establish to the Trustee’s satisfaction that it meets the requirements of Section 1.09 and shall provide, at the request of the Trustee, written representations (including, without limitation, representations to the effect that its tax-exempt status will not be jeopardized as a result of participation in the Collective Trust) and other information (including, without limitation, a written certificate regarding its status or a copy of a determination letter from the Internal Revenue Service) or other assurances that the Trustee may deem necessary or advisable. A trust or other entity that has been accepted as a Participating Trust shall continue to be eligible to participate in the Collective Trust, subject to the following conditions:

- (a) During such time as any assets of a Participating Trust are held in the Collective Trust, (i) this Declaration of Trust shall govern the administration of such assets, and (ii) any inconsistency between the governing instrument of the Participating Trust and this Declaration of Trust relating to the management or administration of the Participating Trust’s assets held hereunder or to the rights, powers, responsibilities or liabilities of the Trustee with respect thereto shall be resolved in favor of this Declaration of Trust.
- (b) If the Trustee receives actual notice that a Participating Trust no longer satisfies the conditions of Section 1.09, or if the Trustee determines

in its sole discretion that a Participating Trust should withdraw for any reason, the Trustee shall take all steps necessary to distribute to such Participating Trust its entire interest in the Collective Trust, other than any interest the Participating Trust may have in a Liquidating Account, as soon as practicable after the Trustee receives such notice.

Section 2.02 Additions. A Participating Trust may acquire a beneficial interest in the Collective Trust by transferring to the Trustee cash or other property acceptable to the Trustee. All additions to the Collective Trust shall be made as of a Valuation Date and on the basis of the Unit values determined by the Trustee in accordance with Article IV.

(a) On or before the Valuation Date as of which an addition is to be made, the Trustee shall enter in the Trustee's fiduciary records a written request for or notice of intention of taking such action, indicating the Fund or Funds to which the addition is to be made. No such request or notice may be cancelled or countermanded after the Valuation Date as of which such addition is made.

(b) The Trustee, in its discretion, may establish minimum or maximum dollar amounts for initial or subsequent additions to the Collective Trust or any Fund.

(c) The Trustee, in its discretion, may require that the request or notice referred to in Section 2.02(a) be received by the Trustee up to 15 days before the Valuation Date as of which such addition is to be made.

(d) If a Participating Trust makes an addition in the form of a contribution of property in kind, such addition shall be on the basis of the value of such assets as determined by the Trustee.

(e) If the Trustee receives cash from a Participating Trust for the purpose of making an addition to a Fund at a subsequent Valuation Date, the Trustee may invest such cash in short-term investments or in such manner as agreed between the Trustee and the Participating Trust. All income credited to the Participating Trust from such investments shall be taken into account in determining the number of Units to be assigned to the Participating Trust on the Valuation Date on which the addition is made.

(f) The Trustee may invest all or a portion of the cash received from a Participating Trust (and any income credited to the Participating Trust in connection with any temporary investment of such cash pursuant to Section 2.02(a)) for addition to a Fund through a Transition Account established within the Fund solely for the benefit of such Participating Trust. Such investments, including securities or other assets approved by the Trustee for addition to the Fund and any cash attributable to the

addition shall be transferred to the Fund after the close of business on the Valuation Date on which the addition is made.

(g) The value of whole or fractional Units of a Class to be assigned to a Participating Trust in connection with an addition to a Fund shall be equal to (i) the value of cash and other investments received by the Trustee, including accrued income, by the close of business on the Valuation Date on which the addition is made, minus, if so decided by the Trustee, expenses attributable to the purchase as provided in Section 2.03(a) or a transaction charge assessed pursuant to Section 2.03(a), (ii) divided by the Unit value of that Class computed for such Valuation Date.

Section 2.03 Withdrawals. A Participating Trust may make a withdrawal from the Collective Trust as of a Valuation Date and on the basis of the Unit values determined by the Trustee in accordance with Article IV. The proceeds of such withdrawal shall be distributed to the withdrawing Participating Trust as soon as practicable after the Valuation Date as of which such withdrawal is made; provided, that cash proceeds from the sale of securities liquidated to fund a withdrawal shall not be paid until after the actual settlement date or dates of the sale of such securities.

(a) On or before the Valuation Date as of which a withdrawal is to be made, the Trustee shall enter in the Trustee's fiduciary records a written request for or notice of intention of taking such action, indicating the Fund or Funds from which the withdrawal is to be made. No such request or notice may be cancelled or countermanded after the Valuation Date as of which such withdrawal is made.

(b) The Trustee, in its discretion, may require that the request or notice referred to in Section 2.03(a) be received by the Trustee up to 15 days before the Valuation Date as of which a withdrawal is to be made, except that, in the case of a withdrawal from a Fund invested in real estate, guaranteed investment contracts issued by insurance companies, or other assets which are not readily marketable, the Trustee may require that the request or notice be received by it up to one year before the relevant Valuation Date.

(c) The Trustee, in its discretion, may (i) effect withdrawals in cash, ratably in kind, a combination of cash and ratably in kind, or in any other manner as the Trustee shall determine to be appropriate and in the best interests of the Participating Trusts and consistent with applicable law, and (ii) determine that distributions to different Participating Trusts as of the same Valuation Date may be composed of different proportions of cash and non-cash assets.

(d) The amount of cash to be paid or investments to be transferred to a Participating Trust with respect to a withdrawal shall have an aggregate

value, determined for the Valuation Date on which the withdrawal is made, equal to the Unit value multiplied by the number of Units redeemed, minus, if so decided by the Trustee, expenses attributable to the withdrawal as provided in Section 2.04(c) or a transaction charge assessed pursuant to Section 2.04(d).

(e) In the case of a withdrawal that the Trustee determines to effect in whole or in part in cash, the Trustee shall have sole discretion as to (i) whether and to what extent investments of the Fund are to be sold to pay the cash portion of the withdrawal; and (ii) which investments are to be sold for such purpose.

(f) In the case of a withdrawal that the Trustee determines to effect in whole or in part in kind, the Participating Trust shall reimburse the costs of transferring the property, as determined by the Trustee in its discretion. In addition, the Trustee shall have sole discretion as to which investments of the Fund are to be transferred to the withdrawing Participating Trust in satisfaction of the in kind portion of the withdrawal. If the Trustee effects a redemption in kind, the Participating Trust may elect to receive and retain the assets or direct the Trustee to liquidate part or all thereof either directly or through the use of a Transition Account. The expenses of such liquidation including brokerage commissions and other costs shall be borne by the Participating Trust.

Section 2.04 Additions, Withdrawals – General Rules. Subject to Section 2.03(a), all additions to and withdrawals from the Collective Trust shall be made as of a Valuation Date and on the basis of the Unit values determined by the Trustee in accordance with Section 2.03(a). The value of Units purchased or redeemed will be the value computed for the relevant Valuation Date determined pursuant to the following procedures.

(a) A notice, request, or direction from a Participating Trust in proper form to purchase or redeem Units (“Order”) received and approved by the Trustee before the Close of Trading on a Valuation Date shall be effective on that Valuation Date. An Order received and approved by the Trustee at or after the Close of Trading on a Valuation Date shall be effective on the next following Valuation Date.

(b) The Trustee, in its discretion, may authorize a service provider to any Participating Trust (“Service Provider”) to receive and accept Orders on the Trustee’s behalf, as limited agent of the Trustee. In such case, the Trustee will be deemed to have received and approved an Order when the Service Provider (or its authorized designee) receives and accepts the Order. Orders accepted by the Service Provider before the Close of Trading on a Valuation Date shall be treated as having been received by the Service Provider on such Valuation Date and Orders accepted by the Service Provider at or after the Close of Trading on a Valuation Date shall

be treated as having been received by the Service Provider on the next Valuation Date.

(c) The Trustee, in its sole discretion and to the extent permissible under applicable law and regulations, may determine that the actual expenses incurred or estimated expenses expected to be incurred in connection with additions to or withdrawals from a Fund which are to be paid in cash (including, without limitation, brokerage fees, stamp taxes, and settlement, duty, stock listing, and other expenses determined by the Trustee to be allocable to such additions or withdrawals) shall be borne by the Participating Trusts making such additions or withdrawals. Such expenses may be charged to such Participating Trust by (i) reducing the number of Units issued or to be issued to any such Participating Trust by a number of whole or fractional Units equal in value to such costs, in the case of an addition, or the amount of cash to be distributed to any such Participating Trust by the amount of such costs, in the case of a withdrawal, or (ii) establishing a Transition Account within the Fund, either in the name of or for the benefit of the affected Participating Trust(s).

(d) To the extent a Participating Trust does not pay the expenses associated with a purchase or redemption pursuant to Section 2.03(a), and in order to compensate a Fund for expenses and costs associated with converting cash additions into suitable investments and liquidating investments to fund cash withdrawals, the Trustee may, in its discretion and to the extent permissible under applicable law and regulations, establish a transaction charge based on a percentage, determined by the Trustee from time to time, of the cash amounts paid to or redeemed from the Fund by the Participating Trust. Such transaction charge may be assessed against such Participating Trust on the Valuation Date on which the addition or withdrawal is made or on such other date as the Trustee determines, and may be deducted from the amount of the addition or the proceeds of the withdrawal.

(e) The Trustee, on notice to the Participating Trusts (which notice may be contained in a Supplemental Declaration or other supplemental Fund-related material, including any offering memorandum or disclosure document), may impose such additional restrictions on purchases or redemptions of Units as the Trustee, in its discretion, deems necessary or advisable from time to time in connection with the investment objectives of an affected Fund and the protection of Participating Trusts, including, without limitation, restrictions to prevent market timing or other excessive trading practices. In making this determination, transactions executed in multiple accounts under the same Participating Trust or related Participating Trusts may be considered together.

Section 2.05 Standing Directions. Requests and notices concerning additions and withdrawals referred to in this Article II may be of continuing effect, instructing the Trustee to effect additions and withdrawals as of subsequent Valuation Dates based on a cash balance or overdraft in the cash account of a Participating Trust as of such Valuation Dates or such other criteria as may be specified by a Participating Trust.

Section 2.06 Unit Accounting. A Participating Trust making an addition to or a withdrawal from the Collective Trust shall be considered for accounting purposes to have purchased or sold, respectively, that number of whole or fractional Units having an aggregate value equal to the value of the addition or withdrawal. The price at which Units are purchased or sold for purposes of this Section shall be the Unit value determined by the Trustee in accordance with Article IV.

### **ARTICLE III. INVESTMENTS AND ADMINISTRATION**

Section 3.01 Funds. The Collective Trust shall consist of such Funds as the Trustee may establish from time to time.

- (a) The Trustee shall establish a Fund by executing a Supplemental Declaration (i) describing the Fund's investment policy and objectives, and (ii) incorporating the terms of this Declaration of Trust by reference and designating any exception to or exclusion from such incorporation by reference and any other variation in the terms hereof, for purposes of that Fund. Notwithstanding the foregoing, the Supplemental Declaration of any Fund shall be consistent with the requirements of Revenue Ruling 81-100.
- (b) Each Fund shall constitute a separate trust and the Trustee shall hold, manage, administer, invest, distribute, account for, and otherwise deal with the assets of each Fund separately. The assets of each Fund shall be segregated on the books of the Collective Trust, and shall be charged with the expenses, liabilities, and losses applicable to that Fund and with a share of any general expenses or liabilities of the Collective Trust as provided in this Declaration of Trust.
- (c) No Fund shall be answerable for any obligation assumed or expense, liability, or loss incurred, caused, or created by or on behalf of any other Fund. Accordingly, all persons extending credit to, contracting with, or having any claim of any type against any Fund (including, without limitation, contract, tort, and statutory claims) shall look only to the assets of such Fund, and not to the assets of any other Fund, for payment under such credit, contract, or claim. No Participating Trust, participant, beneficiary, fiduciary, employee, or agent of such Participating Trust, EVTC (or any affiliate of EVTC), or any officer, director, shareholder, partner, employee, or agent of EVTC (or an affiliate of any such person)

shall be liable personally for any obligation of any Fund. Every note, bond, contract, instrument, certificate, or undertaking and every other act or thing whatsoever executed or done by or on behalf of any Fund shall be conclusively deemed to have been executed or done only by or for such Fund, and no Fund shall be answerable for any obligation assumed or liability incurred by another Fund.

Section 3.02 Fund Management. Except as otherwise provided herein, the Trustee may invest and reinvest the assets of each Fund in investments and investment techniques or strategies of any kind, including, without limitation, equity and debt securities of domestic or foreign, private or governmental issuers, bank deposits of any kind, interests in real property, including fee interests and leases thereon or loans secured thereby, which are consistent with the investment guidelines, policies, objectives, and restrictions applicable to such Fund, as specified in its Supplemental Declaration. The Trustee's determination as to whether any investment, investment technique, or strategy is within the class or classes of investments in which a Fund may invest, and as to whether any particular investment technique or strategy is consistent with the guidelines, policies, and objectives of a Fund, shall be conclusive. The Trustee may invest the assets of any Fund in Units of any other Fund where the Trustee, in its discretion, deems such investment to be appropriate and consistent with the investment guidelines, policies, objectives, and restrictions of the investing Fund.

Section 3.03 Short-Term Investments. Except where specifically prohibited or restricted by the Supplemental Declaration of a Fund, the Trustee may from time to time, in its discretion, invest such portion of the assets of such Fund as it may deem advisable temporarily in short-term money market instruments or vehicles, including, without limitation, U.S. Government obligations, bankers' acceptances, commercial paper, certificates of deposit and other deposit accounts insured by the Federal Deposit Insurance Corporation, repurchase agreements, money market mutual funds (including, without limitation, but subject to applicable law, those sponsored or advised by any of the Trustee's affiliates), and any short-term investment fund (including, without limitation, but subject to applicable law, any such fund maintained by the Trustee or any of its affiliates pursuant to this Declaration of Trust or otherwise) for which the Fund is an eligible participant. The governing instrument, as amended from time to time, of any such fund which is intended to qualify as a group trust under Revenue Ruling 81-100 shall, to the extent of a Fund's participation therein, be incorporated herein and made a part of this Declaration of Trust, and the combining of the assets of any Fund with the assets of other participants in such fund, to be held and administered in accordance with the fund's governing instrument is hereby specifically authorized.

Section 3.04 Cash Balances and Deposits. The Trustee is authorized to hold temporarily such part of the Collective Trust uninvested as may be reasonably necessary for orderly administration of the Collective Trust, and to deposit cash awaiting investment or distribution in interest-bearing accounts maintained in the

commercial or savings department of any bank or savings association, the deposits of which are insured by the Federal Deposit Insurance Corporation.

Section 3.05 Investments by Participating Trusts. A Participating Trust may acquire and hold Units in more than one Fund and may change its investments in the Funds from time to time in accordance with the procedures for additions and withdrawals described in Article II. Each Participating Trust shall have an undivided interest in each Fund in which it may hold Units and shall share proportionately with all other Participating Trusts having an interest in each such Fund in the net income, profits, and losses thereof. The Trustee shall have legal title to the assets of the Collective Trust and no Participating Trust shall be deemed to have individual ownership of any asset.

Section 3.06 Management Responsibility. The Trustee shall have exclusive management and investment authority with respect to the Collective Trust. Subject to the foregoing, the Trustee may retain and consult with such investment advisers, sub-advisers, or other consultants, including, without limitation, any affiliate of the Trustee, as the Trustee, in its discretion, may deem advisable to assist it in carrying out its responsibilities under this Declaration of Trust. The Trustee may appoint the manager or sponsor of any fund in which the assets of the Collective Trust may be invested pursuant to Section 3.03 or Section 3.07(a) as trustee or investment manager for the Participating Trusts with authority to manage and control such assets in accordance with the fund's governing instrument. For this purpose, the Trustee shall be deemed a "named fiduciary," as defined by Section 402(a)(1) of ERISA, of each Participating Trust with respect to the assets of such Participating Trust invested in the Collective Trust, with responsibilities limited to managing and controlling such assets in accordance with this Declaration of Trust.

Section 3.07 Management and Administrative Powers. The Trustee shall have the rights, powers, and privileges of an absolute owner in the management and administration of the Collective Trust. In addition to and without limiting the powers and discretion conferred on the Trustee elsewhere in this Declaration of Trust, each Supplemental Declaration, or by applicable law, the Trustee shall have the following discretionary powers:

- (a) Except where specifically prohibited or restricted by the terms of the relevant Supplemental Declaration, to invest and reinvest indirectly in investments through mutual funds, closed-end investment companies, limited partnerships, and other common, collective, commingled, or pooled investment funds including, without limitation, but subject to applicable law, such funds advised, managed, or maintained by EVTC or any of its affiliates, for which the Collective Trust is an eligible participant; and, where such fund is intended to qualify as a group trust under Revenue Ruling 81-100, the fund's governing instrument, as amended from time to time, shall, to the extent of the Collective Trust's participation therein, be incorporated into and be a part of this Declaration



of Trust, and the combining of the Collective Trust's assets with the assets of other participants in such fund, to be held and administered in accordance with the fund's governing instrument is hereby specifically authorized;

- (b) To retain any property received by it at any time; to sell or exchange any property, for cash or on credit, at public or private sale;
- (c) To borrow money as may be necessary or desirable to protect the assets of a Liquidating Account and to encumber or hypothecate the assets of such Liquidating Account to secure repayment of such indebtedness;
- (d) To lend securities of the Collective Trust and to secure the same in any manner, and during the term of the loan to permit the loaned securities to be transferred into the name of and voted by the borrower;
- (e) To exercise or dispose of any conversion, subscription, or other rights, discretionary or otherwise, including the right to vote and grant proxies, appurtenant to any property held by the Collective Trust at any time; and to vote and grant proxies with respect to all securities held by the Collective Trust at any time;
- (f) To renew or extend any obligation held by the Collective Trust;
- (g) To participate in and to consent to, or to oppose, any plan of reorganization, consolidation, combination, merger, liquidation, or other similar plan relating to any property, or to any contract, lease, mortgage, purchase, sale, or other action by any person or corporation, and, to the extent permitted by applicable law, to deposit any property with any protective, reorganization, or similar committee; to delegate discretionary power with respect thereto and to pay and agree to pay part of the expenses and compensation of any such committee and any assessments levied with respect to any such property so deposited;
- (h) To hold property of the Collective Trust in bearer form or to register or cause to be registered such property in the name of a nominee of the Trustee or any custodian appointed by the Trustee; provided, the records of the Trustee and any such custodian shall show that such property belongs to the Collective Trust;
- (i) To deposit securities with a securities depository and to permit the securities so deposited to be held in the name of the depository's nominee, and to deposit securities issued or guaranteed by the U.S. Government or any agency or instrumentality thereof, including securities evidenced by book-entry rather than by certificate, with the U.S. Department of the Treasury, a Federal Reserve Bank, or other appropriate custodial entity; provided, the records of the Trustee or any custodian appointed by the Trustee shall show that such securities belong to the Collective Trust;

(j) Subject to Section 404(b) of ERISA and applicable regulations of the U.S. Department of Labor (to the extent applicable), to hold securities issued by a foreign government or business entity at a foreign office of the Trustee or any of its affiliates or any custodian appointed by the Trustee, or to deposit such securities with a foreign securities depository or bank regulated by a government agency or regulatory authority in the foreign jurisdiction, and to permit the securities so deposited to be held in the nominee name of the depository or bank; provided, the records of the Trustee or any custodian appointed by the Trustee shall show that such securities belong to the Collective Trust;

(k) To settle, compromise, or submit to arbitration any claims, debts, or damages due or owing to or from the Collective Trust; to commence or defend suits or legal proceedings whenever, in the Trustee's judgment, any interest of the Collective Trust so requires; and to represent the Collective Trust in all suits or legal proceedings in any court or before any other body or tribunal; and to pay from the Collective Trust all costs and reasonable attorneys' fees in connection therewith;

(l) To subdivide, develop, improve, lease (for a term within or beyond the existence of the Collective Trust), grant options to purchase, or purchase options to acquire, any real property held by the Collective Trust; to make ordinary and extraordinary repairs and alterations to buildings; to raze and erect new buildings; and to purchase such insurance on behalf of the Collective Trust and at its expense including, without limitation, public liability, fire, and extended coverage, rent insurance, and such other insurance covering insurable risks as the Trustee may deem appropriate;

(m) To organize or acquire one or more corporations, wholly or partly owned by the Collective Trust, each of which may be exempt from federal income taxation under the Code; to appoint ancillary or subordinate trustees or custodians to hold title to or other indicia of ownership of property of the Collective Trust in those jurisdictions, domestic or foreign, in which the Trustee is not authorized to do business and to define the scope of the responsibilities of such trustee or custodian;

(n) Subject to Section 3.06, to employ suitable agents, including, without limitation, agents or pricing services to perform valuations of the assets of the Collective Trust, custodians, advisers, auditors, depositories, and counsel, domestic or foreign, and, subject to applicable law, to pay their reasonable expenses and compensation from the Collective Trust; and

(o) To make, execute, and deliver any and all contracts and other instruments and documents deemed necessary and proper for the accomplishment of any of the Trustee's powers and responsibilities under this Declaration of Trust.

Section 3.08 Liquidating and Transition Accounts.

(a) Liquidating Accounts. The Trustee, in its discretion, may segregate in a separate Liquidating Account any investment of a Fund that the Trustee deems advisable to so segregate for distribution in kind to, or liquidation for the account of, those trusts that are Participating Trusts in the Fund as of the date of segregation, together with cash sufficient to pay any estimated expenses specifically allocable to the Liquidating Account, including, but not limited to, the cost of prosecuting or defending any claims by, on behalf of, or against the Fund or the Trustee with respect to the Liquidating Account. The Trustee, in its discretion, shall determine the period during which the Trustee may continue to hold any such assets in a Liquidating Account.

(b) Transition Accounts. The Trustee may, in accordance with Section 2.04(c), establish one or more Transition Accounts to hold cash, securities, or other assets received from, and other investments made for the benefit of, one or more Participating Trusts, pending investment of such assets in securities or other investments the Trustee considers suitable for a Fund, or in connection with the distribution or withdrawal of cash, securities, or other investments from a Fund for the benefit of Participating Trusts holding a beneficial interest in such Transition Account, or for such other purposes as the Trustee shall deem appropriate.

(c) Beneficial Ownership. Each Liquidating Account or Transition Account shall be maintained and administered solely for the ratable benefit of the Participating Trusts whose cash, securities, or other assets have been transferred thereto or deposited therein, and each Participating Trust whose cash, securities, or other assets have been transferred to or deposited in such Account shall have a beneficial interest therein equal to the portion of such account represented by the value of such assets so transferred or deposited.

(d) Additional Powers and Duties of Trustee. The Trustee shall have, in addition to all of the powers granted to it by law and by this Declaration of Trust, each and every discretionary power of management of the assets contained in a Liquidating Account or a Transition Account (and of all income on or proceeds of such assets) which the Trustee shall deem necessary or appropriate to accomplish the purposes of such Liquidating Account or Transition Account. At the time of the establishment of a Liquidating Account or a Transition Account, and upon each deposit of additional money to any such Transition Account, the Trustee shall prepare a schedule showing the interest of each Participating Trust therein. When the assets of such Liquidating Account or Transition Account have been completely distributed, such schedule shall be thereafter held as part of the permanent records of the Fund to which the Liquidating Account or Transition Account relates. The Trustee shall include in any audit report

for a Fund a report for each related Liquidating Account and Transition Account established hereunder. The value of assets transferred to or held in a Liquidating Account or Transition Account (and the beneficial interest of any Participating Trust therein) may be based upon market value, fair value, amortized cost, or book value, as determined by the Trustee in its discretion.

(e) Limitation on Contributions to Liquidating Account. No further contributions shall be made to any Liquidating Account after its establishment, except that the Trustee may, if in the Trustee's opinion such action is advisable for the protection of, or the preservation of rights of any Participating Trust (or its participants and beneficiaries) in, any asset held therein, permit allocation of additional monies to, or borrow on the security of the assets held in, such Liquidating Account and make and renew any note or obligation for such borrowing as the Trustee may determine.

(f) Distributions. The Trustee may make distributions from a Transition Account or Liquidating Account in cash, in kind, or partly in cash and partly in kind. Except as otherwise may be provided in the Supplemental Declaration with respect to the relevant Fund, the Trustee, in its discretion, shall determine the time and manner of making all such distributions. The Trustee, in its discretion, may determine that distributions from a Transition Account or a Liquidating Account to different Participating Trusts effected as of the same Valuation Date may be composed of different proportions of cash and non-cash assets. Income, gains, and losses attributable to a Transition Account or Liquidating Account shall be allocated among Participating Trusts holding a beneficial interest in such Transition Account or Liquidating Account in proportion to such respective beneficial interests. Notwithstanding any other provision of this Declaration of Trust to the contrary, with respect to a Transition Account established to pay a Participating Trust for a redemption of Units, the Trustee shall have satisfied its obligation to the Participating Trust to pay the amount due in connection with such redemption if (i) the Trustee has transferred to the Transition Account, as soon as reasonably practicable after the applicable Valuation Date, securities and other assets of the relevant Fund with a fair value as of the applicable Valuation Date (before consideration of applicable transaction expenses) equal to the value of the Units so redeemed, and (ii) the Trustee pays to the Participating Trust the net proceeds realized upon the sale, disposition, or liquidation of the securities and assets in such Transition Account after applying allocable expenses and satisfying applicable obligations within a reasonable time after the sale, disposition, or liquidation of such securities and other assets.

(g) Effect of Establishing Liquidating Accounts and Transition Accounts. After an asset of a Fund has been set apart in a Liquidating

Account or to the extent assets of one or more Participating Trusts are held in a Transition Account, such assets shall be subject to the provisions of this Declaration of Trust insofar as the same shall be applicable thereto and not inconsistent with the provisions of this Section. For purposes of additions to or withdrawals from a Fund and of determining the value of Units of the Fund and the income, gains, or losses of a Fund that are allocable among Participating Trusts pursuant to other provisions of this Declaration of Trust, the value, income, gains, or losses of any assets held in any Liquidating Account or Transition Account shall be excluded. As of any subsequent Valuation Date selected by the Trustee in its discretion, any assets held in a Transition Account may be valued in accordance with Article IV and transferred to the appropriate Fund, in which case Units shall be allocated to Participating Trusts holding a beneficial interest in such Transition Account (in proportion to their respective beneficial interests) in such number as would have been issued if such assets so transferred from the Transition Account were treated as an addition pursuant to Article II.

(h) Fees and Expenses. Each Liquidating Account and Transition Account shall be charged with the expenses attributable to the administration and management of such Account (including, but not limited to, brokerage fees, settlement charges, stamp taxes, duty, stock listing and related expenses, attorneys' fees, and auditing fees). Such Liquidating Accounts and Transition Accounts shall remain as part of the assets of the applicable Fund or Class(es) of Units, as the case may be, for purposes of determining the Trustee's compensation.

Section 3.09 Income, Gains, and Losses. Unless provided otherwise by the relevant Supplemental Declaration, all net income and realized capital gains of a Fund shall be accumulated and added to the principal of the Fund at the convenience of the Trustee, and invested and reinvested as a part thereof.

(a) The net income of any Fund that provides for distribution of same shall include all dividends, interest, and other income which the Trustee may determine under generally accepted accounting principles properly to be included in income collected or accrued with respect to the period beginning immediately after the close of business on a Valuation Date and ending at the close of business on the next succeeding Valuation Date, less any allocable expenses, charges, reserves, or other liabilities that are appropriate deductions under generally accepted accounting principles. The Trustee's reasonable determination of the allocation of such liabilities to income among Funds shall be conclusive. Capital gains and losses realized by a Fund shall not be considered in computing net income.

(b) The Trustee shall determine the share of net income of each Participating Trust holding Units of a Fund (or any Class of such Units) that provides for distribution of net income by dividing the total amount of

such income by the total number of Units (or such Class) of such Fund as of the Valuation Date next preceding the Valuation Date as of which net income is to be distributed, and by multiplying the income per Unit so obtained by the total number of Units beneficially owned by the Participating Trust as of such preceding Valuation Date. The Trustee shall have ten business days after the Valuation Date as of which net income is to be distributed within which to make the actual payment.

(c) If accrued but uncollected income is distributed to a Participating Trust in connection with a withdrawal or distribution of income and such accrued income is not actually collected by the Trustee in whole or in part when it should have been paid, the Trustee shall have the right at any time thereafter to charge to and recover from such Participating Trust, or the beneficiaries thereof, the amount so distributed but not actually collected.

(d) Except as may be required in connection with any tax or information return to be filed by the Collective Trust, the Trustee shall not be required to account for any distinction between the income and the principal of the Collective Trust beyond such accounting as may be required to comply with this Section 3.09.

#### **ARTICLE IV. ACCOUNTING, RECORDS, AND REPORTS**

Section 4.01 Units. The Trustee shall divide each Fund into Units of participation for purposes of recording the beneficial interest of the Participating Trusts therein.

(a) The Trustee, in its discretion and to the extent permissible under applicable law, may divide the Units of a Fund into one or more Classes with differing fee and/or expense obligations or liabilities, as specified in the Supplemental Declaration of the Fund. The Fund's Supplemental Declaration shall describe the expenses, costs, charges, and other liabilities allocable to each such Class as well as any conditions of eligibility of a Participating Trust to hold such Class. Accordingly, the values of Units may vary based on the characteristics of the Classes of such Units, including, without limitation, Trustee compensation and/or expenses to be charged to such Unit Class. Fund income and unrealized and realized gain or loss will be allocated on a daily basis to each Class pro rata based on the Fund's net assets.

(b) Each Unit of each Fund shall represent a proportionate, undivided interest in the Fund, and no Unit shall have priority or preference over any other Unit. As of any Valuation Date, the Trustee, in its discretion, may make a uniform change in the Units of a Fund either by dividing the Units into a greater number of Units of lesser value, or combining the Units to produce a lesser number of Units of greater value, provided that the

aggregate value of the new Units so created shall be equal to the aggregate value of the pre-existing Units.

Section 4.02 No Certificates. No transferable certificate shall be issued to evidence the interest of any Participating Trust in the Collective Trust or any Liquidating Account. However, a non-transferable certificate of participation may be issued to each Participating Trust having an interest in a Liquidating Account describing the assets held in the Liquidating Account and the Participating Trust's proportionate interest therein.

Section 4.03 Valuation of Units. As of each Valuation Date, the Trustee shall determine the value of the Units (and each Class of Units) of each Fund in accordance with the following procedures:

(a) The Trustee shall determine the value of the assets of each Fund in accordance with the rules set forth in Section 4.04. The Trustee shall reflect any changes in security positions no later than in the first calculation on the first business day following the trade date.

(b) The Trustee shall subtract from the value determined under Section 4.03(a) any expenses, charges, or other liabilities incurred or accrued by the Fund (including each Class thereof) as determined by the Trustee in good faith in accordance with procedures consistently followed and uniformly applied. The Trustee's determination of the allocation of such expenses, charges, and liabilities among Funds and Classes within Funds shall be conclusive and binding on all Participating Trusts.

(c) The Trustee shall divide the net value of the Fund assets determined pursuant to Section 4.03(a) and (b) by the total number of Units of each Class of the Fund in existence as of the relevant Valuation Date. The Trustee shall have a reasonable period of time, not extending beyond the earlier of (i) the opening of business on the next Valuation Date, or (ii) ten business days following the Valuation Date for which Unit values are being determined, within which to determine the value of the Units and Classes of a Fund and the aggregate value of the beneficial interest of each Participating Trust in such Fund.

Section 4.04 Valuation of Assets. Subject to the following provisions of this Section 4.04, the Trustee shall value the assets of the Collective Trust at market value as of the close of business on the relevant Valuation Date or, in the absence of readily ascertainable market values, at fair value as determined by the Trustee in good faith in accordance with procedures consistently followed and uniformly applied.

(a) Equity Securities.

(i) Exchange-Traded Equity Securities. The price of an equity security traded upon one or more U.S. or foreign exchanges shall be determined as follows:

(A) If the security is traded on only one exchange, the value of the security shall be the last sale price on that exchange on the Valuation Date.

(B) If the security is traded on more than one exchange, or upon one or more exchanges and in the over-the-counter (“OTC”) market, the value of the security shall be the last sale price on the Valuation Date on the market on which the security is traded most extensively.

(C) In either of the foregoing cases, if there are no sales of the security on the Valuation Date, the price of the security shall be taken to be the mean of the closing bid and asked prices on the Valuation Date on the relevant exchange.

(ii) NASDAQ or OTC-Traded Equity Securities. The price of an equity security not traded on any exchange but listed on the NASDAQ National Market System (“NASDAQ”) shall be the NASDAQ Official Closing Price on NASDAQ. For OTC securities that are not listed on NASDAQ, the value of the security shall be the last sale price on such other OTC market on the Valuation Date. If there are no sales of an OTC security that is not listed on NASDAQ, the price of the security shall be the mean of the closing bid and asked prices on such other OTC market on the Valuation Date.

(iii) Preferred Securities. If a preferred security is not listed on an exchange or NASDAQ or traded in the OTC market, then the price shall be supplied by a pricing vendor, except in the case of auction rate preferred shares issued by a closed-end registered investment company, which shall be valued at par.

(iv) Foreign Equity Securities. The price of foreign equity securities shall be determined in the applicable manner set forth above.

(b) Debt Securities.

(i) Government Obligations. U.S. Government obligations shall be valued at prices supplied by a pricing vendor.

(ii) Corporate Debt Obligations. For convertible securities listed on an exchange, the value of the convertible security shall be



taken to be the last sale price on that exchange on the Valuation Date.

(iii) Mortgage-backed Securities. Seasoned mortgage-backed securities shall be valued pursuant to the Trustee's internal pricing matrix. All other mortgage-backed securities shall be valued based on information from a pricing vendor.

(iv) Municipal Debt Securities. Municipal debt securities shall be valued at prices supplied by a pricing vendor. Each such price is tested monthly by the Trustee by obtaining a quote from another pricing vendor.

(v) Foreign Debt Obligations. Foreign debt obligations shall be valued at prices supplied by a pricing vendor. If prices are not available from a pricing vendor, then the foreign debt obligation shall be valued at the mean of the market quotations or dealer quotations.

(vi) Loan Interests. The pricing of loan interests shall be determined pursuant to the Trustee's internal pricing methodology.

(vii) Money market instruments. Money market instruments (e.g., short-term securities issued or guaranteed by the U.S. government, bankers' acceptances, certificates of deposit, time deposits, etc.) purchased with an original or remaining maturity of 60 days or less, maturing at par, shall be valued at amortized cost. Other money market instruments (with original or remaining maturities of greater than 60 days but less than 397 days) shall be valued based on information obtained from a pricing vendor. Securities held by Funds that have adopted an amortized cost method for valuing securities ("Money Market Funds") shall also be subject to the Amortized Cost Procedures adopted by the Trustee.

(viii) Other Debt Securities. All other debt obligations shall be valued at prices supplied by a pricing vendor.

(c) Derivatives.

(i) Exchange-traded Options and Futures Contracts. Option contracts on securities, currencies and other financial instruments traded on one or more exchanges shall be valued at their last sale price on the exchange on which the Trustee believes that, over time, they are traded most extensively on the Valuation Date. If no such sales are reported, such instruments shall be valued at the mean of the closing bid and asked prices on the Valuation Date.

Futures positions on securities and currencies shall be valued at closing settlement prices on the Valuation Date.

(ii) Forward Foreign Currency Contracts. Forward foreign currency exchange contracts shall be valued at prices supplied by a pricing vendor.

(iii) OTC Options. Option contracts on securities and other financial instruments traded in the OTC market shall be valued at the mean of the closing bid and asked prices on the Valuation Date.

(iv) OTC Currency Options. Option contracts on currencies traded in the OTC market shall be valued at the mean of the closing bid and asked prices on the Valuation Date. If no bid and asked prices are available, then the valuation shall be at the lowest of three dealer quotations.

(v) Municipal Inverse Floaters. Municipal Inverse Floaters shall be valued at prices supplied by a pricing vendor. Each instrument is tested monthly by the Trustee by obtaining a quote from another pricing vendor.

(d) Other Holdings.

(i) Overnight Repurchase Agreements. Overnight repurchase agreements shall be valued at cost, plus any accrued interest.

(ii) Warrants, Puts and Demand Features. Warrants, puts and demand features shall be valued at the lower of cost or market value. If such instruments are attached to portfolio securities, then there is no separate value.

(iii) Foreign Currency Exchange Rates. Foreign currency exchange rates shall be supplied by a pricing vendor. If unavailable, then the Trustee will supply based on dealer quotations.

(iv) Cash Equivalents. Bank deposits, guaranteed investment contracts issued by insurance companies, or other assets that provide for payments or withdrawals on a contractual basis without penalty, and which are non-negotiable or with respect to which there is no active trading market, shall be valued at fair value as determined by the Trustee, which value may be the cost or par value of the investment, plus accrued income, less withdrawals, if any, where the Trustee determines that such value approximates fair value.

- (e) In determining the value of securities, the Trustee may make such adjustments as it deems necessary under the circumstances to take into account stock splits or cash or stock dividends as of the Valuation Date.
- (f) Income and expenses shall be recorded on an accrual basis. In determining the value of the assets of a Fund, the Trustee shall take into account any net income of the Fund accrued as of the applicable Valuation Date, any uninvested cash balance of the Fund, and the value of any other asset considered by the Trustee to be an asset of the Fund.
- (g) The value of real estate and tangible personal property and of any interests therein shall be the fair value thereof as of the close of business on each Valuation Date as determined by the Trustee. The Trustee shall obtain formal appraisals of such property at least once each year by an appraiser or appraisers employed by the Trustee or one or more qualified independent appraisers. The Trustee shall review and update such formal appraisal informally and may consider such other information or circumstances the Trustee considers relevant. In valuing real estate or tangible personal property subject to a term lease, or in valuing real estate or tangible personal property subject to a purchase-leaseback arrangement, if in either case the Trustee considers the value of the investment as based primarily on the obligation of the lessee or any guarantor to pay rent and only secondarily on the underlying real estate or personal property, the Trustee may value the asset in such manner as the Trustee shall deem appropriate without being required to obtain an appraisal thereof. The Trustee, either before or after the purchase of real estate or tangible personal property or any interest therein may at any time obtain an appraisal thereof by one or more qualified independent appraisers and may pay the expense thereof from the assets of the relevant Fund.
- (h) In any case where there is no readily ascertainable market value or where the Trustee determines the application of the foregoing rules to be inappropriate, the asset shall be valued on the basis of estimated values computed by the Trustee after taking into account factors the Trustee considers relevant, including, without limitation, cost, valuations furnished by an entity in which the Collective Trust may hold an interest, the value of similar investments for which a market value is readily ascertainable, and values obtained from qualified appraisers or other sources who deal in or are familiar with the type of asset or investment involved.

Section 4.05 Temporary Suspension of Valuations. Notwithstanding any other provision of this Declaration of Trust to the contrary, and in any event subject to applicable law and regulations, the Trustee may, in its discretion, suspend the valuation of the assets or Units of any Fund and/or the right to make purchases or redemptions of Units of such Fund in accordance with Article II for the whole or any part of any period when (i) any market or stock exchange on which a significant portion of the investments of the Fund are quoted is closed or during

which dealings thereon are restricted or suspended or a closing of any such market or stock exchange or a suspension or restriction of dealings thereon are threatened; (ii) there exists any state of affairs which, in the reasonable opinion of the Trustee, constitutes an emergency as a result of which disposition of the assets of the Fund would not be reasonably practicable or would be seriously prejudicial to affected Participating Trusts; (iii) there has been a breakdown in the means of communication normally employed in determining the price or value of any of the investments of the Fund or of current prices on any market or stock exchange on which a significant portion of the investments of the Fund are quoted, or when for any reason the prices or values of any investments owned by the Fund cannot reasonably be promptly and accurately ascertained; (iv) the transfer of funds involved in the realization or acquisition of any investments cannot, in the reasonable opinion of the Trustee, be effected at normal rates of exchange; or (v) there has been a default or delay in any payment due to the Fund.

Section 4.06 Accounting Rules. Except as otherwise provided under Section 4.03, the Trustee shall account for the financial operations of the Collective Trust on an accrual basis, and for any Liquidating Account on a cash basis, in accordance with generally accepted accounting principles. The Trustee shall establish the fiscal year of the Collective Trust from time to time, which initially shall be the twelve-month period ending December 31.

Section 4.07 Expenses and Taxes. The Trustee may charge to the Collective Trust or a particular Class of Units (i) the cost of money borrowed, (ii) costs, commissions, income taxes, withholding taxes, transfer and other taxes and expenses associated with the holding, purchase and/or sale, and receipt of income from, investments, (iii) the reasonable expenses of an audit of the Collective Trust by independent public accountants, (iv) reasonable attorneys' fees and litigation expenses, and (v) any other expense, claim, or charge properly payable from the Collective Trust under this Declaration of Trust or applicable law. The Trustee, in its discretion, may (but shall not be required to) assume and pay, or reimburse a Fund or Unit Class for, all or any part of the expenses otherwise chargeable or allocable to such Fund or Class from time to time.

Section 4.08 Records, Audits. The Trustee shall keep such records as it deems necessary or advisable in its sole discretion to account properly for the operation and administration of the Collective Trust. At least once during each period of 12 months, the Trustee shall cause a suitable audit to be made of the Collective Trust by auditors responsible only to the board of directors of the Trustee.

Section 4.09 Financial Reports. Within 90 days after the close of each fiscal year of the Collective Trust and after the termination of the Collective Trust or any Fund, the Trustee shall prepare a written financial report, based on the audit referred to in Section 4.08, containing such information as may be required by applicable law and regulations.

(a) A copy of the report shall be furnished, or notice given that a copy thereof is available and will be furnished without charge on request, to each person to whom a regular periodic accounting would ordinarily be rendered with respect to each Participating Trust. In addition, a copy of the report shall be furnished on request to any person and the Trustee may make a reasonable charge therefor. Except as otherwise provided in the preceding sentence, the Trustee shall bear the cost of printing, publication, and distribution of any financial report of the Collective Trust.

(b) If no written objections to specific items in the financial report are filed with the Trustee within 60 days after the report is sent by the Trustee, the report shall be deemed to have been approved with the same effect as though judicially approved by a court of competent jurisdiction in a proceeding in which all persons interested were made parties and were properly represented before such court, and, to the fullest extent permitted by applicable law, the Trustee shall be released and discharged from liability and accountability with respect to the propriety of its acts and transactions disclosed in the report. Any such written objection shall apply only to the proportionate share of the Participating Trust on whose behalf the objection is filed and shall not affect the proportionate share of any other Participating Trust. The Trustee shall, in any event, have the right to a settlement of its accounts in a judicial proceeding if it so elects.

Section 4.10 Government Filing. The Trustee intends to file directly with the U.S. Department of Labor the information called for by Department of Labor regulations under Section 103(b)(4) of ERISA (29 C.F.R. § 2520.103-9).

## **ARTICLE V. CONCERNING THE TRUSTEE**

Section 5.01 Merger, Consolidation of Trustee. Any corporation or association (i) into which the Trustee may be merged or with which it may be consolidated, (ii) resulting from any merger, consolidation, or reorganization to which the Trustee may be a party, or (iii) to which all or any part of the Trustee's fiduciary business which includes the Collective Trust may be transferred shall become successor Trustee, and shall have all the rights, powers, and obligations of the Trustee under this Declaration of Trust, without the necessity of executing any instrument or performing any further act.

Section 5.02 Limitation on Liability. Except as otherwise provided by applicable law, (i) the Trustee shall not be liable by reason of the purchase, retention, sale, or exchange of any investment, or for any loss in connection therewith, except to the extent such loss shall have been caused by its own negligence, willful misconduct, or lack of good faith, and (ii) the Trustee shall not be liable for any mistake made in good faith in the administration of the Collective Trust if, promptly after discovering the mistake, the Trustee takes

whatever action the Trustee, in its discretion, may deem to be practicable under the circumstances.

Section 5.03 Trustee Compensation. The Trustee may charge and pay from the Collective Trust reasonable compensation for its services in managing and administering the Collective Trust. The amount of the Trustee's compensation may differ among Classes of a Fund, as described in the Supplemental Declaration of the Fund. If a Supplemental Declaration does not describe compensation payable to the Trustee, such compensation may be charged and paid in accordance with such fee schedules as the Trustee may furnish from time to time to affected Participating Trusts. In such case, the Trustee's compensation shall be paid by the Participating Trust or the sponsor of the Participating Trust, as agreed between the parties, directly to the Trustee. If Trustee compensation is to be paid by the Participating Trust, the appropriate fiduciary of the Participating Trust may authorize the Trustee to effect such payment by selling or redeeming that number of whole or fractional Units having an aggregate value equal to the amount of such compensation. The Trustee may change its compensation or the source of payment thereof by notice of such change given at least 30 days before the effective date of such change to affected Participating Trusts.

Section 5.04 Trustee's Authority. No person dealing with the Trustee shall be under any obligation to inquire regarding the authority of the Trustee, the validity or propriety of any transaction, or the application of any payment made to the Trustee.

Section 5.05 Advice of Counsel. The Trustee may consult with legal counsel of its choosing with respect to the interpretation of the Declaration of Trust, the Trustee's rights or responsibilities hereunder, any legal proceeding or question of law, or any act the Trustee proposes to take or omit, and may pay such counsel reasonable compensation from the Collective Trust. The Trustee shall not be liable for any action taken or omitted in good faith pursuant to the advice of such counsel.

Section 5.06 Accountings and Necessary Parties. Except as otherwise required by this Declaration of Trust or applicable law, the Trustee shall have no obligation to render an accounting to any Participating Trust or beneficiary thereof. If at any time the Trustee or any Participating Trust applies to a court of competent jurisdiction for a judicial settlement of the Trustee's accounts, it shall be necessary to join as parties in any such proceeding only the Trustee and each person to whom a regular periodic accounting would ordinarily be rendered with respect to each Participating Trust.

Section 5.07 Reliance on Communications. The Trustee shall be fully protected in acting upon any instrument, certificate, or document believed by it to be genuine and to be signed or presented by the proper person or persons. The Trustee shall have no duty to make an investigation or inquiry as to any statement

contained in any such writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

Section 5.08 Action by Trustee. The Trustee may exercise its rights and powers and perform its duties hereunder through such of its officers and employees as shall be authorized to perform such functions by the Trustee's board of directors through general or specific resolutions. However, EVTC solely shall be responsible for the performance of all rights and responsibilities conferred on it as Trustee hereunder, and no such officer or employee individually shall be deemed to have any fiduciary authority or responsibility with respect to the Collective Trust.

## **ARTICLE VI. AMENDMENT, TERMINATION, AND REORGANIZATION**

Section 6.01 Amendment. The Trustee may amend this Declaration of Trust at any time. Any such amendment shall take effect as of the date specified by the Trustee. However, any amendment materially changing the investment policy or objective of a Fund shall be effective no earlier than the Valuation Date that is at least 30 days after the Trustee gives notice of such amendment in accordance with Section 6.04.

Section 6.02 Termination. The Trustee may terminate the Collective Trust or any Fund or Funds at any time. In such event, the assets of the Collective Trust or the affected Fund shall be administered and distributed as if it were a Liquidating Account.

Section 6.03 Reorganization. EVTC may cause any Fund or Funds to be merged or consolidated or split up or subdivided in a transaction (herein referred to as "reorganization") involving any other Fund or any other collective investment fund or funds maintained by EVTC outside of this Declaration of Trust.

(a) Any such reorganization shall take effect no earlier than as of the close of business on a Valuation Date which is at least 30 days after notice has been given to an authorized representative of each affected Participating Trust. If any Participating Trust notifies the Trustee of its objection to the reorganization by a date specified by the Trustee, the interest of such Participating Trust shall be withdrawn from each Fund involved in the reorganization as of such Valuation Date.

(b) The value of the beneficial interest of each Participating Trust in any Fund resulting from the reorganization shall be no less than the aggregate value of such Participating Trust's beneficial interest in all of the affected Funds immediately prior to the reorganization. After the Valuation Date as of which the reorganization is effected pursuant to the foregoing procedures, the reorganization shall be binding upon all Participating Trusts having an interest in each Fund resulting from the

reorganization and upon all fiduciaries and beneficiaries of such Participating Trusts.

Section 6.04 Notices. The Trustee shall give written notice of any amendment materially changing the investment policy or objective of a Fund, or of the termination or reorganization of the Collective Trust or any Fund, to each person to whom a regular periodic accounting would ordinarily be rendered with respect to each affected Participating Trust. Any such notice or other notice or communication required or permitted hereunder shall be deemed to have been given at the later of the time (i) the Trustee delivers the notice personally or mails the notice first class, postage prepaid, registered, or certified to the address of the appropriate recipient as shown on the Trustee's records, or (ii) provided in the instrument governing the relationship between EVTC and the Participating Trust.

## **ARTICLE VII. GENERAL PROVISIONS**

Section 7.01 Diversion, Assignment Prohibited. The following provisions shall apply, notwithstanding any provision of this Declaration of Trust or any amendment hereto to the contrary.

(a) No part of the corpus or income of the Collective Trust which equitably belongs to a Participating Trust, other than that portion required for taxes (if any), reasonable expenses incurred in the administration of the Collective Trust, and Trustee compensation as permitted by this Declaration of Trust and applicable law, shall be used or diverted to any purposes other than for the exclusive benefit of the employees or their beneficiaries entitled to benefits under such Participating Trust.

(b) No Participating Trust may assign all or any portion of its equity or interest in the Collective Trust, other than as permitted by the Trustee if it is provided satisfactory evidence of the continuity of underlying beneficial ownership.

(c) No part of the Collective Trust which equitably belongs to a Participating Trust shall be subject to any legal process, levy of execution, or attachment or garnishment proceedings for payment of any claim against any such Participating Trust or any employee or beneficiary thereof.

Section 7.02 Governing Law. This Declaration of Trust shall be construed, and the Collective Trust shall be administered, in accordance with ERISA (to the extent applicable) and other applicable federal law and, to the extent not preempted by the foregoing, the laws of the Commonwealth of Massachusetts.

Section 7.03 Situs of Collective Trust. The Collective Trust is created and shall be held, managed, administered, and maintained at all times as a domestic trust in the United States.



Section 7.04 Inspection. A copy of the Declaration of Trust shall be kept on file at the principal office of the Trustee, available for inspection during normal business hours. A copy of the Declaration of Trust shall be sent upon request to each person to whom a regular periodic accounting would be rendered with respect to each Participating Trust, and shall be furnished to any other person upon request for a reasonable charge.

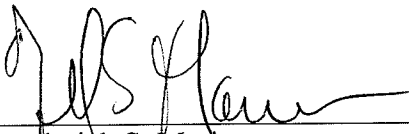
Section 7.05 Titles, Etc. Titles, captions, and headings in this Declaration of Trust are for convenience and reference only, and shall not limit or affect in any manner any provision contained therein.

Section 7.06 Invalid Provisions. If any paragraph, section, sentence, clause or phrase contained in this Declaration of Trust is illegal, null, or void, or against public policy, the remaining provisions thereof shall not be affected.

Section 7.07 Status of Instrument. This instrument contains the provisions of the Declaration of Trust and all amendments adopted through the date set forth below.

**DATE OF INSTRUMENT:** March 17, 2010.

**EATON VANCE TRUST COMPANY**

By:   
Name: Frederick S. Martus  
Title: Chief Legal Officer

**EATON VANCE TRUST COMPANY COLLECTIVE INVESTMENT TRUST  
FOR EMPLOYEE BENEFIT PLANS**

**AMENDED AND RESTATED SUPPLEMENTAL DECLARATION  
EATON VANCE TRUST COMPANY/PARAMETRIC STRUCTURED  
EMERGING MARKETS EQUITY FUND**

Eaton Vance Trust Company, as trustee (the "Trustee") under the Amended and Restated Declaration of Trust, effective as of April 28, 2010, governing the Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans (the "Declaration of Trust"), hereby amends and restates this Supplemental Declaration originally effective as of November 13, 2007, as amended and restated on December 19, 2007, on March 3, 2008 and on April 28, 2010, with respect to the Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund (the "Fund"). Unless otherwise indicated, all capitalized terms used herein shall have the meaning given them in the Declaration of Trust.

The Trustee declares that it shall hold and administer all property that may be transferred to or received by it from time to time as Trustee of the Fund in accordance with the terms and conditions of the Declaration of Trust, which is incorporated herein by this reference, subject to this Amended and Restated Supplemental Declaration.

1. Investment Objective and Policies. The investment objective of the Fund is to provide investors with long-term capital appreciation. The Fund will seek to achieve its investment objective primarily through investment in a diversified portfolio of emerging market equity securities. The Fund expects to invest at least eighty percent (80%) of its net assets in equity securities of companies located in emerging market countries, which are those considered to be developing. Emerging market countries include, without limitation, countries in Asia, Latin America, the Middle East, Southern Europe, Eastern Europe, Africa and the region comprising the former Soviet Union. Securities acquired by the Fund are typically listed on stock exchanges in emerging market countries, but also may include securities traded in markets outside these countries, including securities trading in the form of depositary receipts.

The Fund seeks to employ a top-down, disciplined and structured investment process that emphasizes broad exposure and diversification among emerging market countries, economic sectors and issuers. This strategy utilizes targeted allocation and systematic rebalancing to exploit certain quantitative and behavioral characteristics of emerging markets. Countries are selected based on factors such as size, liquidity, level of economic development, local economic diversification, and perceived risk and potential.

A company will be considered to be located in an emerging market country if it is domiciled in or derives more than fifty percent (50%) of its revenues or profits from emerging market countries. Emerging market countries are countries that are generally considered to be developing or emerging countries by the International Bank for Reconstruction and Development (more commonly referred to as the "World Bank") or

the International Finance Corporation, as well as countries that are classified by the United Nations or otherwise regarded by their own authorities as developing. Other emerging market countries may be identified on the basis of market capitalization and liquidity and may consider issuers as emerging market issuers based on their inclusion (or consideration for inclusion) as emerging market issuers in one or more broad-based market indices.

No one issuer will represent more than five percent (5%) of the gross assets of the Fund at any given time. No more than twenty-five percent (25%) of the Fund's total assets may be denominated in any single currency, and the Fund may also invest directly in foreign currencies.

No one industry (as identified by the Standard Industrial Classification System, Bloomberg or the Global Industry Classification Standard) will represent more than twenty-five percent (25%) of the gross assets of the Fund at any given time.

The Fund may invest up to fifteen percent (15%) of its total assets in "equity-linked securities," which are privately issued securities whose investment results are designed to correspond generally to the performance of a single stock index, "basket" of securities or single stock.

The Fund may invest up to twenty percent (20%) of its total assets in convertible instruments which will generally not be rated, but which will typically be equivalent in credit quality to securities rated below investment grade (*i.e.*, credit quality equivalent to lower than Baa by Moody's Investors Service, Inc. and lower than BBB by Standard & Poor's Ratings Group).

The Fund may not invest more than fifteen percent (15%) of its net assets in illiquid securities, which include securities legally restricted as to resale, commercial paper issued pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"), and securities eligible for resale pursuant to Rule 144A thereunder.

The Fund may invest up to ten percent (10%) of its net assets in registered investment companies, other pooled accounts or other investment vehicles that may invest in foreign securities, including, to the extent permitted by applicable law, investment vehicles advised by Eaton Vance Management or any of its affiliates.

The Fund may lend portfolio securities to broker-dealers or other institutional borrowers up to one-third of the value of its total assets (including borrowings) or such other amount as is permitted under relevant law. The Fund may borrow amounts up to one-third of the value of total assets (including borrowings), but it will not borrow more than five percent (5%) of the value of its total assets for any purpose other than satisfying redemption requests or for other temporary purposes.

For cash management purposes, the Fund may invest up to five percent (5%) of its assets in cash or cash equivalents, and high quality corporate debt securities issued by domestic or foreign issuers and denominated in U.S. dollars or foreign currency.

2. Valuation Dates. The Valuation Dates of the Fund shall be each day on which the New York Stock Exchange is open for trading. The Trustee also may establish special Valuation Dates from time to time in its discretion.

3. Minimum Investment, Plan Size. Each Participating Trust must (i) invest a minimum of \$5 million in the Fund, or (ii) be part of a plan that, together with any other plans maintained by the same employer and its affiliates, have total assets at the time of the Participating Trust's initial investment in the Fund of at least \$250 million; provided, that the Trustee shall have the right, in its sole discretion, to waive, increase, or decrease such minimum investment or size requirement.

4. Transaction Charge. Certain cash additions to, or withdrawals from, the Fund may be subject to a transaction charge ("Transaction Charge") as described below. Cash additions to, or cash withdrawals from, the Fund directed by an authorized fiduciary of one or more Participating Trusts maintained by the same employer or its affiliates (each such addition or withdrawal, a "Transaction") will be monitored. If Transactions during the "Transaction Charge Eligibility Period" (defined below) exceed 10% of the net asset value of the Fund, before taking such Transactions into account (the "Limit"), the Trustee will apply the Transaction Charge. The Transaction Charge will be an amount equal to 20 basis points (0.20%) of all Transactions (*i.e.*, additions or withdrawals) in excess of the Limit that are effected during an "Assessment Period" (defined below).

An Transaction Charge Eligibility Period will begin on the date of each Transaction by a Participating Trust, regardless of amount (the "Commencement Date"), and will continue until the earlier of (i) the close of business on the ninth (9<sup>th</sup>) business day after the Commencement Date, or (ii) the date that the aggregate amount of such additions or withdrawals during any Transaction Charge Eligibility Period initially exceeds the Limit (the "Trigger"). In the event of a Trigger (i) an "Assessment Period" will commence immediately and will continue for five (5) additional business days, and (ii) the relevant Transaction Charge Eligibility Period and any other Transaction Charge Eligibility Periods attributable to the Participating Trust will terminate. The Transaction Charge will be applied to all relevant Transactions (*i.e.*, additions or withdrawals) in excess of the Limit that are effected during an Assessment Period. The Commencement Date for the subsequent Transaction Charge Eligibility Period will be the date of the next Transaction following the Assessment Period.

(For the avoidance of doubt, additions or withdrawals directed by individual participants of the Participating Trust will not be included when monitoring the Transactions. In addition, the Limit will be applied separately to Transactions that are cash additions and to Transactions that are cash withdrawals, and, consequently, additions and withdrawals will not be netted in determining whether the Limit is exceeded. To the extent that Transactions subject to the Transaction Charge are effected for more than one Participating Trust of a single employer or its affiliates, the Transaction Charge will be allocated among such Participating Trusts pro rata based on each Participating Trust's Transaction amounts.)

5. Trustee Compensation. Fund Units shall be subdivided into Classes, as described in Schedule A. Fund assets attributable to each Class are charged directly for

compensation payable to the Trustee for its services to the Fund and, if applicable, to third-party providers of administrative services to each Participating Trust, also as described in Schedule A.

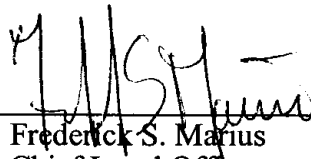
6. Expenses. The Trustee will pay from its own resources (including the Trustee Fee described in Schedule A) certain expenses of Fund administration, specifically including expenses associated with (i) audit services provided by independent public accountants, (ii) ordinary legal services provided to the Trustee with respect to the Fund (which, for the avoidance of doubt, do not include attorneys fees and costs associated with litigation or other adversarial proceedings), (iii) third-party custody services provided with respect to Fund assets, (iv) tax and financial statement reviews performed by Trustee personnel, (v) third-party Fund accounting services, and (vi) the fees of any investment adviser or sub-adviser retained by the Trustee. All other expenses of Fund administration and operations shall be charged to and paid from Fund assets as provided in the Declaration of Trust. The Trustee may modify or discontinue this expense reimbursement arrangement at any time in its sole discretion.

7. Sub-Adviser. The Trustee has retained Parametric Portfolio Associates, LLC, an affiliate of the Trustee, as sub-adviser with respect to the Fund.

8. Effective Date. This Amended and Restated Supplemental Declaration shall be effective as of December 27, 2010.

DATE: December 13, 2010

EATON VANCE TRUST COMPANY

By:   
Name: Frederick S. Marius  
Title: Chief Legal Officer

**EATON VANCE TRUST COMPANY/PARAMETRIC STRUCTURED  
EMERGING MARKETS EQUITY FUND**

**SCHEDULE A – UNIT CLASSES AND FEES**

Available to each Participating Trust with <b>Less Than \$75 Million</b> Invested in the Collective Trust or to each Participating Trust that is part of a plan that, together with Participating Trusts of other plans maintained by the same employer and its affiliates, invests less than such amount				
	CLASS I	CLASS II	CLASS III	CLASS IV
TRUSTEE FEE	1.05%	1.05%	1.05%	1.05%
ADMINISTRATIVE SERVICE FEE	0.00%	0.10%	0.15%	0.25%
<b>TOTAL FEES</b>	<b>1.05%</b>	<b>1.15%</b>	<b>1.20%</b>	<b>1.30%</b>

Available to each Participating Trust with <b>\$75 Million or More</b> Invested in the Collective Trust or to each Participating Trust that is part of a plan that, together with Participating Trusts of other plans maintained by the same employer and its affiliates, invests at least such amount				
	CLASS V	CLASS VI	CLASS VII	CLASS VIII
TRUSTEE FEE	0.95%	0.95%	0.95%	0.95%
ADMINISTRATIVE SERVICE FEE	0.00%	0.10%	0.15%	0.25%
<b>TOTAL FEES</b>	<b>0.95%</b>	<b>1.05%</b>	<b>1.10%</b>	<b>1.20%</b>

The Trustee shall decide, in its discretion, the manner in which a Participating Trust's aggregate investment in the Collective Trust is to be determined for purposes of identifying the Unit Class(es) in the tables above for which the Participating Trust is eligible.

The Trustee shall be entitled to receive from the assets of the Fund a "Trustee Fee" for its management and administration of the Fund at the annual rate indicated for each Unit Class described in the tables above. The Trustee Fee shall be accrued daily and paid monthly based on the market value of the Fund's average daily net assets attributable to each Class of Units determined as of the last Valuation Date of each calendar month.

If applicable, the Trustee shall, upon appropriate direction from an authorized fiduciary of the Participating Trust (or an authorized agent or designee of such fiduciary), pay from the assets of the Fund an "Administrative Service Fee" to a designated service provider for administrative services to the Participating Trust at the annual rate indicated

*Current as of October 1, 2010*

in the tables above. The Administrative Service Fee shall be accrued daily and paid monthly based on the market value of the Fund's average daily net assets attributable to each Class of Units determined as of the last Valuation Date of each calendar month.

If the aggregate daily value of Collective Trust Units held by a Participating Trust holding Unit Class I, II, III, or IV equals or exceeds the minimum investment amount for Unit Classes V through VIII for 90 consecutive days (*i.e.*, the Participating Trust invests at least \$75 million in the Collective Trust either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates), the Participating Trust's Units shall be exchanged automatically for Units of the corresponding Class in Classes V through VIII bearing the same Administrative Service Fee (if applicable) on a date specified by the Trustee by notice given to the Participating Trust following the end of the 90-day period (the "exchange date"); provided that the aggregate value of the Collective Trust Units held by the Participating Trust on the exchange date exceeds the minimum investment requirement for Unit Classes V through VIII.

If the aggregate daily value of Collective Trust Units held by a Participating Trust holding Unit Class V, VI, VII, or VIII is below the minimum investment amount for Unit Classes V through VIII for 90 consecutive days (*i.e.*, the Participating Trust invests less than \$75 million in the Collective Trust either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates), the Participating Trust's Units shall be exchanged automatically for Units of the corresponding Class in Classes I through IV bearing the same Administrative Service Fee (if applicable) on a date specified by the Trustee by notice given to the Participating Trust following the end of the 90-day period, unless the Trustee, in its discretion and on such conditions (including time periods) as it may specify, permits the Participating Trust to retain the Unit Class it then holds.



**EATON VANCE TRUST COMPANY/PARAMETRIC STRUCTURED EMERGING  
MARKETS EQUITY FUND**

**A Separate Trust Fund of  
EATON VANCE TRUST COMPANY COLLECTIVE INVESTMENT TRUST  
FOR EMPLOYEE BENEFIT PLANS**

**OFFERING MEMORANDUM**

**UNITS**

**as of**

**May 5, 2011**

**– CONFIDENTIAL –**

**NOT FOR PUBLIC**

**DISTRIBUTION**

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**THE UNITS HAVE NOT BEEN REGISTERED WITH OR APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (“SEC”). THIS IS AN OFFERING OF UNITS THAT ARE SECURITIES EXEMPTED FROM REGISTRATION UNDER SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. NEITHER THE SEC NOR ANY STATE AGENCY HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THIS OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS UNLAWFUL.**

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## NOTICES

The units (the “Units”) of Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund (the “Fund”) are securities exempted from registration under Section 3(a)(2) of the Securities Act of 1933, as amended (the “1933 Act”), and will be offered and sold in reliance thereon, and other exemptions of similar import in the laws of the states and other jurisdictions where the offering will be made. The Fund has not been registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and the Fund is only being offered to a limited number of U.S. non-taxable investors.

There will be no public or other market for the Units. Other than transfers to the Fund in a withdrawal, transfers of the Units are expressly prohibited.

The Units offered hereby have not been recommended by any Federal or State securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum (the “Memorandum”), and any representation to the contrary is a criminal offense.

The Fund may purchase and sell futures contracts and options on futures contracts in compliance with Commodity Futures Trading Commission (“CFTC”) rule 4.5. Such rule enables the Fund to invest to a specified extent in futures and options on futures contracts without registering with the CFTC and the National Futures Association as a commodity pool operator (“CPO”).

Before deciding to invest in this offering, prospective investors should read this entire Memorandum, as well as the declaration of trust and supplemental declaration of trust relative to the Fund (collectively, the “Declaration”). This Memorandum contains summaries, believed and intended to be accurate, of certain terms of certain documents relating to the Fund. For complete information concerning the rights and obligations of the Trustee and Participating Trusts (as defined in the Declaration; see “Trustee” and “Participating Trusts” below), reference is hereby made to the actual documents, copies of which will be furnished to eligible investors at or before their acceptance as Participating Trusts. All such summaries are qualified in their entirety by this reference. Prospective investors are not to construe the contents of this Memorandum as investment, tax or legal advice. This Memorandum and any supplements hereto, as well as the nature of the investment, should be reviewed by each prospective investor’s investment and tax adviser, accountant and legal counsel.

This Memorandum contains all of the representations by the Fund, its sponsors and service providers concerning this offering, and no financial intermediary is authorized to make different or broader statements than those contained herein. Prospective investors are cautioned not to and may not rely upon any information not expressly set forth herein.

This Memorandum has been prepared solely for the benefit of prospective investors in the Fund and constitutes an offer only to the prospective investors to whom it is delivered. Distribution of this Memorandum to any person other than such prospective investors and those persons retained to advise such prospective investors with respect

thereto is unauthorized. Each prospective investor, by accepting delivery of this Memorandum, agrees to return it and all other related documents to the Fund at its request if the prospective investor decides not to invest in the Fund, if the prospective investor's subscription is not accepted, or if the offering is terminated.

This Memorandum shall not be considered an offer by the Fund, its sponsors or service providers or any other person in any jurisdiction in which such an offer is unlawful or prohibited.

This Memorandum may not be reproduced without the written consent of the Fund.

### Privacy Notice

The Eaton Vance organization is committed to ensuring your financial privacy. Each of the financial institutions identified below has in effect the following policy ("Privacy Policy") with respect to nonpublic personal information about its customers:

- Only such information received from you, through application forms or otherwise, and information about your Eaton Vance fund transactions will be collected. This may include information such as name, address, social security number, tax status, account balances and transactions.
- None of such information about you (or former customers) will be disclosed to anyone, except as permitted by law (which includes disclosure to employees necessary to service your account). In the normal course of servicing a customer's account, Eaton Vance may share information with unaffiliated third parties that perform various required services such as transfer agents, custodians and broker/dealers.
- Policies and procedures (including physical, electronic and procedural safeguards) are in place that are designed to protect the confidentiality of such information.
- We reserve the right to change our Privacy Policy at any time upon proper notification to you. Customers may want to review our Privacy Policy periodically for changes by accessing the link on our homepage: [www.eatonvance.com](http://www.eatonvance.com).

Our pledge of privacy applies to the following entities within the Eaton Vance organization: Eaton Vance Trust Company, the Eaton Vance Family of Funds, Eaton Vance Management, Eaton Vance Investment Counsel, Boston Management and Research, and Eaton Vance Distributors, Inc.

In addition, our Privacy Policy only applies to those Eaton Vance customers who are individuals and who have a direct relationship with us. If a customer's account (*i.e.*, fund shares) is held in the name of a third-party financial adviser/broker-dealer, it is likely that only such adviser's privacy policies apply to the customer. This notice supersedes all previously issued privacy disclosures.

**For more information about Eaton Vance's Privacy Policy, please call 1-800-262-1122.**

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## **EATON VANCE TRUST COMPANY/PARAMETRIC STRUCTURED EMERGING MARKETS EQUITY FUND**

### **The Fund**

Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund (the “Fund”) is a separate trust fund established and maintained as part of Eaton Vance Trust Company Collective Investment Trust For Employee Benefit Plans (the “Collective Trust”). The Collective Trust is a collective investment trust for employee benefit plans and other eligible entities formed under the laws of the State of Maine pursuant to a declaration of trust (the “Declaration”) made by Eaton Vance Trust Company. The Fund is intended to constitute a group trust as described in Internal Revenue Service (“IRS”) Revenue Ruling 81-100, exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”). Units of the Fund (the “Units”) are being offered to a limited number of investors who meet the standards described herein (each, a “Participating Trust”).

### **Investment Objective, Policies and Restrictions**

The investment objective of the Fund is to provide investors with long-term capital appreciation. The Fund will seek to achieve its investment objective primarily through investment in a diversified portfolio of emerging market equity securities. The Fund expects to invest at least eighty percent (80%) of its net assets in equity securities of companies located in emerging market countries, which are those considered to be developing. Emerging market countries include, without limitation, countries in Asia, Latin America, the Middle East, Southern Europe, Eastern Europe, Africa and the region comprising the former Soviet Union. Securities acquired by the Fund are typically listed on stock exchanges in emerging market countries, but also may include securities traded in markets outside these countries, including securities trading in the form of depository receipts.

The Fund seeks to employ a top-down, disciplined and structured investment process that emphasizes broad exposure and diversification among emerging market countries, economic sectors and issuers. This strategy utilizes targeted allocation and systematic rebalancing to exploit certain quantitative and behavioral characteristics of emerging markets. Countries are selected based on factors such as size, liquidity, level of economic development, local economic diversification, and perceived risk and potential.

A company will be considered to be located in an emerging market country if it is domiciled in or derives more than fifty percent (50%) of its revenues or profits from emerging market countries. Emerging market countries are countries that are generally considered to be developing or emerging countries by the International Bank for Reconstruction and Development (more commonly referred to as the

“World Bank”) or the International Finance Corporation, as well as countries that are classified by the United Nations or otherwise regarded by their own authorities as developing. Other emerging market countries may be identified on the basis of market capitalization and liquidity and may consider issuers as emerging market issuers based on their inclusion (or consideration for inclusion) as emerging market issuers in one or more broad-based market indices.

No one issuer will represent more than five percent (5%) of the gross assets of the Fund at any given time. No more than twenty-five percent (25%) of the Fund’s total assets may be denominated in any single currency, and the Fund may also invest directly in foreign currencies.

No one industry (as identified by the Standard Industrial Classification System, Bloomberg or the Global Industry Classification Standard) will represent more than twenty-five percent (25%) of the gross assets of the Fund at any given time.

The Fund may invest up to fifteen percent (15%) of its total assets in “equity-linked securities,” which are privately issued securities whose investment results are designed to correspond generally to the performance of a single stock index, “basket” of securities or single stock.

The Fund may invest up to twenty percent (20%) of its total assets in convertible instruments which will generally not be rated, but which will typically be equivalent in credit quality to securities rated below investment grade (*i.e.*, credit quality equivalent to lower than Baa by Moody’s Investors Service, Inc. and lower than BBB by Standard & Poor’s Ratings Group).

The Fund may not invest more than fifteen percent (15%) of its net assets in illiquid securities, which include securities legally restricted as to resale, commercial paper issued pursuant to Section 4(2) of the Securities Act of 1933, as amended (the “1933 Act”), and securities eligible for resale pursuant to Rule 144A thereunder.

The Fund may invest up to ten percent (10%) of its net assets in registered investment companies, other pooled accounts or other investment vehicles that may invest in foreign securities, including, to the extent permitted by applicable law, investment vehicles advised by Eaton Vance Management or any of its affiliates.

The Fund may lend portfolio securities to broker-dealers or other institutional borrowers up to one-third of the value of its total assets (including borrowings) or such other amount as is permitted under relevant law. The Fund may borrow amounts up to one-third of the

value of total assets (including borrowings), but it will not borrow more than five percent (5%) of the value of its total assets for any purpose other than satisfying redemption requests or for other temporary purposes.

For cash management purposes, the Fund may invest up to five percent (5%) of its assets in cash or cash equivalents, and high quality corporate debt securities issued by domestic or foreign issuers and denominated in U.S. dollars or foreign currency.

## **Risks**

There can be no assurance that the Fund will achieve its investment objective. Investment in the Fund involves a substantial degree of risk. Investors may lose some or all of their investment in the Fund. The primary risks of investing in the Fund include:

*General Investment Risks.* The Fund's success depends on the Trustee's ability to implement its investment strategy. Any factor that would make it more difficult to execute more timely trades, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategies to be used by the Fund will be successful under all or any market conditions.

*Limited Operating History.* The Fund is a recently formed entity and has only a limited operating history upon which prospective investors can evaluate its performance. There can be no assurance that the Fund will achieve its investment objective or avoid substantial losses.

*Investment Risks in General.* A potential investor in the Fund should note that the prices of the securities and other instruments in which the Fund invests may be volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instruments and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly. These risks are heightened in emerging market countries, which may have relatively unstable governments and economies based on only a few industries.

*Equity Securities.* The Fund's investments include long positions in equity securities primarily of emerging market issuers. Equity securities include common and preferred stocks; equity interests in trusts, partnerships, joint ventures and other unincorporated entities or



enterprises; special classes of shares available only to foreign investors in markets that restrict ownership by foreign investors to certain classes of equity securities; depositary receipts; convertible preferred stocks; and other convertible instruments. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities, and such fluctuations can be pronounced. The value of Units is sensitive to stock market volatility. If there is a decline in the value of exchange-listed stocks in emerging market countries, the value of Units will also likely decline. Changes in stock market values can be sudden and unpredictable. Also, although stock values can rebound, there is no assurance that values will return to previous levels. Because the Fund invests predominantly in foreign securities, the value of Units can also be adversely affected by changes in currency exchange rates and political and economic developments abroad. These risks can be significant in emerging market countries. In addition, the securities of smaller companies are generally subject to greater price fluctuation and investment risk than securities of more established companies.

The Fund may invest in common stock of issuers. Common stocks are shares of a corporation or other entity that entitle the holder to a *pro rata* share of the profits, if any, of the entity without preference over any other shareholder or claim of shareholders, after making required payments to holders of the entity's preferred stock and other senior securities. Common stock usually carries with it the right to vote and frequently an exclusive right to do so. Although depositary receipts have similar risks, unsponsored receipts may also involve higher expenses, may not pass through voting and other shareholder rights, and may be less liquid than receipts sponsored by issuers of the underlying securities.

The Fund may also invest in convertible preferred stock and other convertible instruments of issuers. The convertible instruments in which the Fund will invest will generally not be rated, but will typically be equivalent in credit quality to securities rated below investment grade (*i.e.*, credit quality equivalent to lower than Baa by Moody's Investors Service, Inc. and lower than BBB- by Standard & Poor Ratings Group). Convertible debt securities that are not investment grade are commonly called "junk bonds" and have risks similar to equity securities; they have speculative characteristics, and changes in economic conditions or other circumstances are more likely to lead to the issuer's weakened capacity to make principal and interest payments than is the case with higher grade debt securities.

*Non-U.S. Investments, Exchanges and Markets.* The Fund may engage in trading of non-U.S. investments and on non-U.S. exchanges and markets. Trading of such investments and on such exchanges and markets may involve certain risks not applicable to

trading of U.S. investments or on U.S. exchanges, including, but not limited to, special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, the imposition of withholding taxes on dividend or interest payments, volatility of markets and issuers that cause liquidity problems, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Certain exchanges and issuers may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants as do U.S. exchanges and issuers and may be less liquid and more volatile. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades. Foreign brokerage commissions, custody fees and other fees are also generally higher than in the United States.

The values of foreign investments are affected by changes in currency rates or exchange control regulations, application of foreign tax laws (including withholding tax), changes in governmental administration or economic or monetary policy (in this country or abroad) or changed circumstances in dealings between nations. Investments in foreign issuers could be affected by other factors not present in the United States, including expropriation, armed conflict, confiscatory taxation, lack of uniform accounting and auditing standards, less publicly available financial and other information and potential difficulties in enforcing contractual obligations.

*Investments in Emerging Market Countries.* The risks of foreign investments described above apply to an even greater extent to investments in emerging markets. Investments in emerging market countries can be considered speculative, and therefore may offer higher potential for gains and losses than investments in the developed markets of the world. Because securities markets in emerging market countries are substantially smaller, less liquid and more volatile than the major securities markets in the United States, Unit values will be more volatile. Emerging market countries are either comparatively underdeveloped or in the process of becoming developed. Investment in emerging market countries typically involves greater price volatility and less liquidity than investments in

securities of issuers in developed countries. Emerging market countries may have relatively unstable governments and economies based on only a few industries. The value of Units will likely be particularly sensitive to changes in the economies of such countries (such as reversals of economic liberalization, political unrest or changes in trading status).

Political and economic structures in many emerging market countries are undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristic of the United States. Certain of such countries may have, in the past, failed to recognize private property rights and have at times nationalized or expropriated the assets of private companies. As a result, the risks described above, including the risks of nationalization or expropriation of assets, may be heightened. In addition, unanticipated political or social developments may affect the values of investments in those countries and the availability of additional investments in those countries. As a result, the Fund may be exposed to greater risk and will be more dependent on the Trustee and/or Sub-adviser's ability to assess such risk than if the Fund invested solely in more developed countries.

The laws of countries in the Region (as defined below) relating to limited liability of corporate shareholders, fiduciary duties of officers and directors, and the bankruptcy of state enterprises are generally less well developed than or different from such laws in the United States. It may be more difficult to obtain or enforce a judgment in the courts of these countries than it is in the United States. Government actions can have a significant effect on the economic conditions in the Region, which could adversely affect the value and liquidity of investments. Although some governments in the Region have recently begun to institute economic reform policies, there can be no assurances that such policies will continue or succeed.

*Securities Trading Markets.* The securities markets in emerging market countries (the "Region") are substantially smaller, less liquid and more volatile than the major U.S. securities markets. A high proportion of the shares of many issuers in the Region may be held by a limited number of persons and financial institutions, which may limit the number of shares available for investment. The prices at which investments may be acquired may be affected by trading by persons with material nonpublic information and by securities transactions by brokers in anticipation of transactions by the Fund in particular securities. Similarly, volume and liquidity in the bond markets in the Region are less than in the United States and, at times, price volatility can be greater than in the United States. The limited liquidity of securities markets in the Region may also affect the ability to acquire or dispose of securities at the price and time it

wishes to do so. In addition, Region securities markets are susceptible to being influenced by large investors trading significant blocks of securities. Region stock markets are undergoing a period of growth and change which may result in trading volatility and difficulties in the settlement and recording of transactions, and in interpreting and applying the relevant law and regulations. The securities industry in these countries is comparatively underdeveloped. Stockbrokers and other intermediaries in the Region may not perform as well as their counterparts in the United States and other more developed securities markets. The risks associated with the securities trading markets in the Region may be more pronounced in certain countries, such as Russia and other Eastern European states.

Settlement of securities transactions in emerging market countries are subject to risk of loss, may be delayed, and are generally less frequent than in the United States, which could affect the liquidity of the Fund's assets. In addition, disruptions due to work stoppages and trading improprieties in these securities markets have caused such markets to close. If extended closings were to occur in stock markets where the Fund was heavily invested, the Fund's ability to redeem Units could become correspondingly impaired. To mitigate these risks, the Fund may maintain a higher cash position than it otherwise would, thereby possibly diluting its return, or the Fund may have to sell more liquid securities which it would not otherwise choose to sell. In some countries, delayed settlements are customary, which increase the risk of loss.

*Currency Risk.* The value of foreign assets as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency rates and may also be unpredictably affected by intervention by U.S. or foreign governments or central banks, or the failure to intervene, or by currency controls or political developments in the U.S. or abroad. The Fund's investments may include both U.S. dollar denominated and non-U.S. dollar denominated non-U.S. securities. Some currency exchange costs may be incurred when the Fund changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. The Trustee does not intend to engage in currency hedging against fluctuations in exchange rates.

*Foreign Currency Transactions.* Foreign currency exchange transactions may be conducted on a spot (*i.e.*, cash) basis at the spot rate prevailing in the foreign currency exchange market or through entering into derivative currency transactions. Currency futures

contracts are exchange-traded and change in value to reflect movements of a currency or a basket of currencies. Settlement must be made in a designated currency.

Forward foreign currency exchange contracts are individually negotiated and privately traded, so they are dependent upon the creditworthiness of the counterparty. The precise matching of the forward contract amounts and the value of the securities held that are denominated in such foreign currency will not generally be possible. In addition, it may not be possible to hedge against long-term currency changes. Use of a different foreign currency magnifies exposure to foreign currency exchange rate fluctuations. Forward contracts may also be used to shift exposure to foreign currency exchange rate changes from one currency to another. Short-term hedging provides a means of fixing the dollar value of only a portion of the Fund's assets.

Currency transactions are also subject to the risk of a number of complex political and economic factors applicable to the countries issuing the underlying currencies. Furthermore, unlike trading in most other types of instruments, there is no systematic reporting of last sale information with respect to the foreign currencies underlying the derivative currency transactions. As a result, available information may not be complete. In an over-the-counter trading environment, there are no daily price fluctuation limits. There may be no liquid secondary market to close out options purchased or written, or forward contracts entered into, until their exercise, expiration or maturity. There is also the risk of default by, or the bankruptcy of, the financial institution serving as a counterparty.

Currency swaps involve the exchange of rights to make or receive payments in specified currencies and are individually negotiated. The entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations. The credit quality of the unsecured senior debt or the claims-paying ability of the other party thereto must be considered to be investment grade by the Trustee at the time the swap is entered into. The use of currency swaps is a highly specialized activity which involves special investment techniques and risks. If the Trustee is incorrect in its forecasts of market value and currency exchange rates, performance will be adversely affected.

*Unlisted Securities.* Unlisted securities may include investments in new and early stage companies, which may involve a high degree of business and financial risk that can result in substantial losses and may be considered speculative. Such securities will generally be deemed to be illiquid. Because of the absence of any public trading market for these investments, the Fund may take longer to liquidate

these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Fund or less than what may be considered the fair value of such securities. Furthermore, issuers whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities. If such securities are required to be registered under the securities laws of one or more jurisdictions before being resold, the Fund may be required to bear the expenses of registration. In addition, any capital gains realized on the sale of such securities may be subject to higher rates of foreign taxation than taxes payable on the sale of listed securities.

*Investments in Less-Established Issuers.* The Fund may invest in securities of smaller, less seasoned companies. Such securities are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk. Smaller companies may have limited product lines, markets or financial resources, may be dependent on a limited management group or lack substantial capital reserves and do not have established performance records. There is generally less publicly available information about such companies than larger, more established companies.

*Investments in Undervalued Securities.* Stocks purchased by the Fund because the Sub-adviser believes they are inexpensive relative to the overall market may be undervalued due to adverse economic conditions or other near-term difficulties that cause them not to achieve their expected financial potential. Undervaluation may also arise because companies are misunderstood by investors or because they are out of step with favored market themes.

*Derivative Instruments.* Transactions in derivative instruments involve a risk of loss or depreciation due to: unanticipated adverse changes in securities prices, interest rates, indices, the other financial instruments' prices or currency exchange rates; the inability to close out a position; default by the counterparty; imperfect correlation between a position and the desired hedge; tax constraints on closing out positions; and portfolio management constraints on securities subject to such transactions. The loss on derivative instruments (other than purchased options) may substantially exceed an investment in these instruments. In addition, the entire premium paid for purchased options may be lost before they can be profitably exercised. Transaction costs are incurred in opening and closing positions. Derivative instruments may sometimes increase or leverage exposure to a particular market risk, thereby increasing price volatility of derivative instruments the Fund holds. The Fund's success in using derivative instruments to hedge portfolio assets depends on the degree

of price correlation between the derivative instruments and the hedged asset. Imperfect correlation may be caused by several factors, including temporary price disparities among the trading markets for the derivative instrument, the assets underlying the derivative instrument and the Fund's assets. The use of derivatives is a highly specialized activity that involves skills different from conducting ordinary portfolio securities transactions. There can be no assurance that the Sub-adviser's use of derivative instruments will be advantageous to the Fund.

*“OTC” Transactions.* Over-the-counter (“OTC”) derivative instruments involve an enhanced risk that the issuer or counterparty will fail to perform its contractual obligations. Some derivative instruments are not readily marketable or may become illiquid under adverse market conditions. The ability to terminate OTC derivative instruments may depend on the cooperation of the counterparties to such contracts. For thinly traded derivative instruments, the only source of price quotations may be the selling dealer or counterparty. In addition, certain provisions of the Code limit the use of derivative instruments.

*Repurchase and Reverse Repurchase Agreements.* In the event of the bankruptcy of the counterparty to a repurchase agreement, recovery of cash may be delayed. To the extent that, in the meantime, the value of the purchased securities may have decreased, a loss could result. Repurchase agreements which mature in more than seven days will be treated as illiquid. When the Fund enters into a reverse repurchase agreement, any fluctuations in the market value of either the securities transferred to another party or the securities in which the proceeds may be invested would affect the market value of the Fund's assets. As a result, such transactions may increase fluctuations in the market value of the Fund's assets. Because reverse repurchase agreements may be considered to be the practical equivalent of borrowing funds, they constitute a form of leverage. If the Fund reinvests the proceeds of a reverse repurchase agreement at a rate lower than the cost of the agreement, entering into the agreement will lower the Fund's yield.

*Borrowing and Leverage.* To the extent that the Fund borrows to fund redemptions of Units, for temporary purposes or to facilitate investments (subject to the limitation specified above), such borrowings will exaggerate the effect of any increase or decrease in the value of the Fund's assets and, therefore, may increase the volatility of the Fund's performance. Borrowings may also result in interest charges and additional fees to the Fund. There can be no assurance that the Fund will be able to leverage its investments successfully.

*Turnover.* The Fund cannot accurately predict its portfolio turnover rate, but it is anticipated that the annual turnover rate will generally not exceed 100% (excluding turnover of securities having a maturity of one year or less). A 100% annual turnover rate could occur, for example, if all the securities held by the Fund were replaced in a period of one year. A high turnover rate (such as 100% or more) necessarily involves greater expenses to the Fund and may result in the realization of substantial net short-term capital gains. The Fund may engage in active short-term trading to benefit from yield disparities among different issues of securities or among the markets for fixed-income securities of different countries, to seek short-term profits during periods of fluctuating interest rates, or for other reasons. Such trading will increase the Fund's rate of turnover and may increase the incidence of net short-term capital gains allocated to the Fund by the Fund which, upon distribution by the Fund, are taxable to Fund shareholders as ordinary income.

*Investment Selection.* The Sub-adviser may select investments for the Fund in part on the basis of information and data filed by issuers of securities with various government regulators or made directly available to the Sub-adviser by the issuers of securities or through sources other than the issuers. Although the Sub-adviser will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the Sub-adviser will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available.

*Failure of Broker-Dealers.* Institutions, such as brokerage firms or banks, may hold certain of the Fund's assets in "street name." Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Fund.

*Newly Contributed Assets.* The Fund may encounter periods during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, these periods also present a special risk in that the level of diversification of the Fund's portfolio may be lower than in a fully invested portfolio.

*Future Regulatory Change is Impossible to Predict.* The securities markets are subject to comprehensive statutes, rules, regulations and other requirements. In addition, the SEC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the establishment of daily price limits and the suspension of trading. The regulation of securities both inside and outside the United States is a rapidly changing area of law and is subject to modification by regulatory and judicial action. The



effect of any future regulatory change on the Fund is impossible to predict, but could be substantial and adverse.

**Trustee**

Eaton Vance Trust Company, a trust company organized under the laws of Maine, serves as Trustee to the Collective Trust. The Trustee is responsible for designing and implementing the Fund's investment program, including overseeing the day-to-day management of the Fund's investment portfolio. The Trustee also provides certain administrative and accounting services to the Fund and the Sub-adviser provides various administrative services to the Fund.

The Trustee's principal office is located at Two International Place, Boston, MA 02110. The Trustee is a direct, wholly-owned subsidiary of Eaton Vance Corp., a publicly-held holding company, which through its subsidiaries and affiliates engages primarily in investment management, administration and marketing activities ("Eaton Vance"). Eaton Vance, its affiliates and predecessor companies have been managing assets of individuals and institutions since 1924 and of investment funds since 1931. Eaton Vance affiliates currently serves as the investment adviser to investment funds and various individual and institutional clients with combined assets under management of approximately \$185.2 billion as of October 31, 2010.

**Sub-adviser**

Parametric Portfolio Associates, LLC (the "Sub-adviser") will act as sub-adviser to the Fund under the Trustee's supervision, monitoring, and oversight. The Sub-adviser is an indirect, majority-owned subsidiary of Eaton Vance. The Sub-adviser is registered with the SEC as an investment adviser under the Advisers Act.

The Sub-adviser advises other separately managed accounts and other public and private investment vehicles which may have similar or different investment objectives and strategies as the Fund.

**Administrative  
Service Provider**

The Bank of New York Mellon provides certain administrative and accounting services with respect to the Fund. In this capacity, the Bank of New York Mellon is compensated entirely by the Trustee and not the Fund. The Trustee, in its discretion, may in the future appoint additional and/or replacement administrators, or administrative service providers.

In addition, in its discretion, the Trustee may make payments out of its own assets (and not the Fund's) to retirement plan administrators and other service providers providing administration, record keeping and any other similar services with respect to investors in the Fund.

**Sub-Custodian**

The Bank of New York Mellon serves as a sub-custodian for the Fund pursuant to a custody services agreement. In this capacity, The Bank of New York Mellon is compensated entirely by the Trustee and not the Fund. The Trustee, in its discretion, may in the future

appoint additional and/or replacement custodians.

### **Participating Trusts**

The Fund currently offers its Units to employee benefit plans that each qualify as a Participating Trust and which the Trustee, in its discretion, has accepted as a Participating Trust.

“Participating Trust” is any of the following:

- (1) a trust which is
  - (a) a pension, profit-sharing, or other employee benefit trust exempt from Federal income taxation under Section 501(a) of the Code by reason of qualifying under Section 401(a) of the Code and, if such trust covers one or more self-employed individuals within the meaning of Section 401(c)(1) of the Code, which satisfies the applicable requirements of the Securities Act of 1933, as amended (the “1933 Act”) (or Rule 180 of the Securities and Exchange Commission (“SEC”) thereunder, or any successor ruling, regulation, or similar pronouncement), regarding participation in a collective investment trust; and
  - (b) maintained pursuant to a plan or trust instrument which authorizes it to participate in the Fund or in any other common, collective, or commingled trust fund and which specifically or in substance and effect adopts the Collective Trust’s Declaration or the declaration of trust or other governing instrument under which such common, collective, or commingled trust fund is maintained, as a part of the plan of which such trust is a part; or
- (2) any of the following plans which satisfies the applicable requirements of the 1933 Act and the 1940 Act (or any applicable rules of the SEC thereunder), regarding participation in a collective investment fund:
  - (a) a plan established and maintained for its employees by the U.S. Government, by the government of any State or political subdivision thereof, or by any agency or instrumentality of the foregoing, within the meaning of Section 414(d) of the Code;
  - (b) an eligible deferred compensation plan within the meaning of Section 457(b) of the Code established and maintained by an eligible governmental

employer described in Section 457(e)(1)(A) of the Code; and

- (c) any other governmental plan or unit described in Section 818(a)(6) of the Code; or
- (3) a separate account maintained in connection with a contract of an insurance company which consists solely of the assets of trusts and plans described above in (1) or (2); or
- (4) any common, collective, or commingled trust fund which:
  - (a) consists solely of the assets of trusts and plans described above in (1), (2) or (3);
  - (b) is exempt from Federal income taxation under Section 501(a) of the Code by reason of qualifying as a “group trust” under IRS Revenue Ruling 81-100; and
  - (c) maintained pursuant to a plan or trust instrument which authorizes it to participate in the Fund or in any other common, collective, or commingled trust fund and which specifically or in substance and effect adopts the Collective Trust’s Declaration or the declaration of trust or other governing instrument under which such common, collective, or commingled trust fund is maintained, as a part of the plan of which such trust is a part.

The Trustee reserves the right to reject, either in whole or in part, in its absolute sole discretion, any subscription for Units.

### **Purchase of Units**

Generally, investors will be admitted into the Fund, subject to the prior acceptance of the Trustee, on a Valuation Date. A Valuation Date is defined as each day the New York Stock Exchange is open for trading or such other day as the Trustee may establish from time to time in its discretion. Each Participating Trust must (i) invest a minimum of \$5 million in the Fund, or (ii) be part of a plan that, together with Participating Trusts of other plans maintained by the same employer and its affiliates, have total assets at the time of the Participating Trust’s initial investment in the Fund of at least \$250 million. The Trustee has the right, in its sole discretion, to waive, increase, or decrease this minimum investment or size requirement.

Subsequent additions in any amount of U.S. dollars may be made as of each Valuation Date. In lieu of cash payment for additions, the Trustee retains the authority in its sole discretion to accept payment in-kind via the transfer of securities from a Participating Trust. See

also, *Transaction Charge* below.

## **Withdrawals**

Units may be withdrawn, in whole or in part at the option of the investor, as of a Valuation Date. The proceeds of such withdrawal shall be distributed to the withdrawing Participating Trust as soon as practicable after the Valuation Date as of which such withdrawal is made; provided, that cash proceeds from the sale of securities liquidated to fund a withdrawal shall not be paid until after the actual settlement date or dates of the sale of such securities.

The Trustee, in its discretion, may effect withdrawals of Units in cash, in kind, or both, in such equitable manner as the Trustee shall determine to be appropriate and in the best interests of the Participating Trusts. If a withdrawal is made in kind, the Trustee may require the Participating Trust to reimburse the costs of transferring the property. See also, *Transaction Charge* below.

## **Transaction Charge**

Certain cash additions to, or withdrawals from, the Fund may be subject to a transaction charge (“Transaction Charge”) as described in this section of the Offering Memorandum. Cash additions to, or cash withdrawals from, the Fund directed by an authorized fiduciary of one or more Participating Trusts maintained by the same employer or its affiliates (each such addition or withdrawal, a “Transaction”) will be monitored. If Transactions during the “Transaction Charge Eligibility Period” (defined below) exceed 10% of the net asset value of the Fund, before taking such Transactions into account (the “Limit”), the Trustee will apply the Transaction Charge. The Transaction Charge will be an amount equal to 20 basis points (0.20%) of all Transactions (*i.e.*, additions or withdrawals) in excess of the Limit that are effected during an “Assessment Period” (defined below).

A Transaction Charge Eligibility Period will begin on the date of each Transaction by a Participating Trust, regardless of amount (the “Commencement Date”), and will continue until the earlier of (i) the close of business on the ninth (9<sup>th</sup>) business day after the Commencement Date, or (ii) the date that the aggregate amount of such additions or withdrawals during any Transaction Charge Eligibility Period initially exceeds the Limit (the “Trigger”). In the event of a Trigger (i) an “Assessment Period” will commence immediately and will continue for five (5) additional business days, and (ii) the relevant Transaction Charge Eligibility Period and any other Transaction Charge Eligibility Periods attributable to the Participating Trust will terminate. The Transaction Charge will be applied to all relevant Transactions (*i.e.*, additions or withdrawals) in excess of the Limit that are effected during an Assessment Period. The Commencement Date for the subsequent Transaction Charge Eligibility Period will be the date of the next Transaction following

the Assessment Period.

(For the avoidance of doubt, additions or withdrawals directed by individual participants of the Participating Trust will not be included when monitoring the Transactions. In addition, the Limit will be applied separately to Transactions that are cash additions and to Transactions that are cash withdrawals, and, consequently, additions and withdrawals will not be netted in determining whether the Limit is exceeded. To the extent that Transactions subject to the Transaction Charge are effected for more than one Participating Trust of a single employer or its affiliates, the Transaction Charge will be allocated among such Participating Trusts pro rata based on each Participating Trust's Transaction amounts.)

All Transaction Charges are applied to compensate the Fund for expenses and costs associated with converting cash additions into suitable investments or liquidating investments to fund cash withdrawals. The Transaction Charge represents the Trustee's good faith estimate of the amount of expenses and costs associated with such cash addition or withdrawal, including, without limitation, brokerage commissions, transfer taxes, and similar charges. The Trustee, in its discretion, will determine the manner in which Transaction Charges will be applied and credited to the Fund. The Trustee generally will consult affected Participating Trusts to determine whether the Transaction Charge should be deducted from the amount of the addition or withdrawal or paid separately by the Participating Trust. The Trustee, in its discretion, reserves the right to adjust the Transaction Charge at any time upon prior notice to the Participating Trusts.

**Assignability of Units** Participating Trusts may not assign or transfer their Units in the Fund or in any part thereof other than as permitted by the Trustee if the Trustee is provided with satisfactory evidence of the continuity of underlying beneficial ownership.

**Allocation of Changes in Net Asset Value** On each Valuation Date, the total net asset value of the Fund – the aggregate value of the assets less the value of the liabilities – is determined and allocated among all Units (and Unit Classes) in accordance with the Declaration.

**Fees and Expenses** *Admission/Withdrawal Expenses.* At the discretion of the Trustee, expenses associated with an addition to or withdrawal from the Fund may be borne by the Participating Trust requesting such addition or withdrawal, as more fully described in the Declaration.

*Unit Classes.* Fund Units are subdivided into Classes, as described in the Fund's supplemental Declaration. Unit Classes I through IV are available to each Participating Trust that invests less than \$75 million

in the Collective Trust in the aggregate or is part of a plan that, together with Participating Trusts of other plans maintained by the same employer and its affiliates, invests less than such amount; Unit Classes V through VIII are available to each Participating Trust that maintains an aggregate investment in the Collective Trust of at least \$75 million or is part of a plan that, together with Participating Trusts of other plans maintained by the same employer and its affiliates, maintains at least such amount. Fund assets attributable to each Class are charged directly for compensation payable to the Trustee for its services to the Fund (“Trustee Fee”) and (if applicable) to third-party providers of administrative services to the Participating Trust (“Administrative Service Fee”), as described below.

<b>Unit Class</b>	<b>Trustee Fee</b>	<b>Administrative Service Fee</b>	<b>Total</b>
Class I*	1.05%	0.00%	1.05%
Class II*	1.05%	0.10%	1.15%
Class III*	1.05%	0.15%	1.20%
Class IV*	1.05%	0.25%	1.30%
Class V**	0.95%	0.00%	0.95%
Class VI**	0.95%	0.10%	1.05%
Class VII**	0.95%	0.15%	1.10%
Class VIII**	0.95%	0.25%	1.20%

\* Available to each Participating Trust with less than \$75 million invested in the Collective Trust or to each Participating Trust that is part of a plan that, together with Participating Trusts of other plans maintained by the same employer and its affiliates, invests less than such amount.

\*\* Available to each Participating Trust with at least \$75 million invested in the Collective Trust or to each Participating Trust that is part of a plan that, together with Participating Trusts of other plans maintained by the same employer and its affiliates, invests at least such amount. The Trustee, in its discretion, may permit a Participating Trust that (i) has an aggregate investment in the Collective Trust of less than \$75 million or (ii) is part of a plan that, together with Participating Trusts of other plans maintained by the

same employer and its affiliates, invests less than such amount to hold these Unit Classes if the Trustee has received a written letter of intent in a form satisfactory to the Trustee (“letter of intent”) that the Participating Trust’s aggregate investment in the Collective Trust, either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates, will amount to at least \$75 million within 12 months of the date of such letter of intent. If the Participating Trust’s aggregate investment in the Collective Trust, either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates, does not equal or exceed \$75 million on or before the anniversary of such letter of intent, the Participating Trust’s Units shall be exchanged automatically for Units of the corresponding Class in Classes I through IV bearing the same Administrative Service Fee (if applicable) as soon as practicable following such date. If and when the Participating Trust’s aggregate investment in the Collective Trust, either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates, equals or exceeds \$75 million, the procedures described under *Change of Unit Class* below will apply thereafter.

*Trustee Fee.* The Trustee receives the Trustee Fee from the assets of the Fund for its management and administration of the Fund at the annual rate indicated for each Unit Class described above. The Trustee Fee is accrued daily and paid monthly based on the market value of the Fund’s average daily net assets attributable to each Class determined as of the last Valuation Date of each calendar month.

*Administrative Service Fee.* A Unit Class may be subject to an Administrative Service Fee at the annual rate indicated above. This permits a Participating Trust to compensate one or more providers of other appropriate administrative services to the Participating Trust (such as, for example, participant recordkeeping, investment education and training, administration of participant loans, and general plan communications) from the Participating Trust’s assets in the Fund. The Trustee will pay the Administrative Service Fee to a designated service provider upon appropriate direction from an authorized representative of the Participating Trust (or its authorized agent or designee). The Administrative Service Fee is accrued daily and paid monthly based on the market value of the Fund’s average daily net assets attributable to each Class determined as of the last Valuation Date of each calendar month.

*Change of Unit Class.* If the aggregate daily value of Collective Trust Units held by a Participating Trust holding Unit Class I, II, III, or IV equals or exceeds the minimum investment amount for Unit Classes V through VIII for 90 consecutive days (*i.e.*, the Participating Trust invests at least \$75 million in the Collective Trust either by itself or in

combination with Participating Trusts of other plans maintained by the same employer and its affiliates), the Participating Trust's Units shall be exchanged automatically for Units of the corresponding Class in Classes V through VIII bearing the same Administrative Service Fee (if applicable) on a date specified by the Trustee by notice given to the Participating Trust following the end of the 90-day period (the "exchange date"). However, the aggregate value of the Collective Trust Units held by the Participating Trust on the exchange date must exceed the minimum investment requirement for Unit Classes V through VIII.

If the aggregate daily value of Collective Trust Units held by a Participating Trust holding Unit Class V, VI, VII, or VIII is below the minimum investment amount for Classes V through VIII for 90 consecutive days (*i.e.*, the Participating Trust invests less than \$75 million in the Collective Trust either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates), the Participating Trust's Units shall be exchanged automatically for Units of the corresponding Class in Classes I through IV bearing the same Administrative Service Fee (if applicable) on a date specified by the Trustee by notice given to the Participating Trust following the end of the 90-day period. However, the Trustee, in its discretion and on such conditions (including time periods) as it may specify, may permit the Participating Trust to retain the Units it then holds.

Each Participating Trust is required to agree to the procedures described above and to acknowledge that any exchange of one Class of Units for another will require an adjustment in the number and value of the Participating Trust's Units.

The Trustee, in its discretion, may from time to time create additional Classes of Units with different fee arrangements and/or eligibility requirements.

*Expenses.* The Trustee has undertaken to pay from its own resources (including the Trustee Fee described above) certain expenses of Fund administration, specifically including expenses associated with (i) audit services provided by independent public accountants, (ii) ordinary legal services provided to the Trustee with respect to the Fund (which, for the avoidance of doubt, do not include attorneys fees and costs associated with litigation or other adversarial proceedings), (iii) custody services provided by The Bank of New York Mellon with respect to Fund assets, (iv) tax and financial statement reviews performed by Trustee personnel, (v) Fund accounting services provided by The Bank of New York Mellon, and (vi) fees of the Sub-adviser. The Trustee may charge to the Fund all other costs and expenses incurred by the Trustee in the administration



and operation of the Fund, as more fully described in the Declaration. Such expenses are separate from and in addition to the Trustee Fee and Administrative Service Fee described above.

**Regulatory Matters**

**The Fund is intended to qualify as a group trust that meets the requirements of IRS Revenue Ruling 81-100 and, if such requirements are met, the Fund will be exempt from U.S. Federal income taxes under Section 501(a) of the Code.**

**The Fund has not registered under, does not intend to register under, and is not subject to, the 1940 Act, in reliance on an exception provided by Section 3(c)(11) of that Act. The Units are not registered under the 1933 Act because they are exempted securities under Section 3(a)(2) thereunder. Consequently, the Fund is subject to significantly less federal or state regulation and supervision than registered investment companies.**

**The Fund expects to include “plan assets” of investors subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Accordingly, the Trustee intends to manage the assets of the Fund in accordance with the fiduciary responsibility requirements of ERISA. This may require the Trustee to forego, from time to time, investments or other arrangements on behalf of the Fund that might otherwise have been desirable for the Fund.**

**Distributions**

The Fund intends to reinvest all investment income and net realized capital gains, if any. No distributions of current earnings are expected to be paid.

**Reporting**

Audited financial statements will be provided, or a notice given that a copy thereof is available and will be furnished without charge on request, to each person to whom a regular periodic accounting would ordinarily be rendered for a Participating Trust on an annual basis.

**Tax Considerations**

The Fund expects to qualify as a group trust described in IRS Revenue Ruling 81-100 and, as such, to be exempt from U.S. Federal income taxes under Section 501(a) of the Code. A group trust that qualifies under IRS Revenue Ruling 81-100 is exempt from Federal income tax except to the extent that it has “unrelated business taxable income” (“UBTI”). **The Fund does not intend to implement an investment strategy that will generate UBTI.** Prospective purchasers should consult their own tax advisers concerning the tax consequences of owning Units in the Fund.

**Fiscal Year End**

The Fund’s fiscal year ends on December 31.

**EATON VANCE TRUST COMPANY**  
**COLLECTIVE INVESTMENT TRUST FOR EMPLOYEE BENEFIT PLANS**  
**ADOPTION AGREEMENT**

Agreement made as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by and between \_\_\_\_\_  
\_\_\_\_\_ (the "Fiduciary")  
on behalf of the \_\_\_\_\_ (the "Plan")  
and Eaton Vance Trust Company, as trustee ("EVTC" or "Trustee"). Terms not defined herein have the meanings given them in the Declaration of Trust (defined below).

WHEREAS, the Fiduciary desires to permit certain assets of the Plan, to be invested as part of the Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans (the "Collective Trust") established by EVTC pursuant to a certain Amended and Restated Declaration of Trust effective as of April 28, 2010, including any amendments and Supplemental Declarations thereto (the "Declaration of Trust"); and

WHEREAS, EVTC consents to the admission of the Plan as a Participating Trust (as such term is defined in the Declaration of Trust) in the Collective Trust;

NOW, THEREFORE, the parties hereby represent and agree as follows:

1. Establishment of Account. The Fiduciary hereby retains EVTC and EVTC hereby agrees to provide investment management services for such portion of the Plan's assets as may be designated by the Fiduciary and agreed upon by EVTC from time to time (hereafter referred to as the "Account"). The Fiduciary has provided the wire instructions as set forth in Exhibit A for the redemption and distribution of proceeds in connection with the Account.

2. Authority and Adoption.

(a) EVTC is authorized to invest all the Account assets delivered to it pursuant to this Adoption Agreement in [please check applicable boxes]

- |   |   |
|---|---|
| <input type="checkbox"/> Large Cap Value Fund   | <input type="checkbox"/> Small Cap Core Fund          |
| <input type="checkbox"/> Large Cap Growth Fund  | <input type="checkbox"/> High Yield Fund              |
| <input type="checkbox"/> Investment Grade Income Fund   | <input type="checkbox"/> Large Cap Core Research Fund |
| <input type="checkbox"/> Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund |   |
| <input type="checkbox"/> Eaton Vance Trust Company/Parametric Structured Commodity Fund               |   |

(the "Funds"), which Funds are established and maintained under the Collective Trust, except for amounts held temporarily before admission to or after withdrawal from the Funds and such amounts designated by the Fiduciary in writing to be invested in such

other investments designated by the Fiduciary and agreed to by EVTC, including one or more other commingled investment funds established and maintained by EVTC. The Collective Trust is hereby specifically adopted as part of the Plan, and the Declaration of Trust, as may be amended from time to time, is hereby specifically incorporated as part of the Plan. The Plan acknowledges having received a copy of such Declaration of Trust and agrees to be bound by its terms. Assets of the Account managed under this Adoption Agreement may be commingled with assets of other tax qualified employee benefit trusts (and entities in which such trusts participate) that are eligible to participate in the Collective Trust.

(b) EVTC is authorized to maintain the allocation of the Account's assets among the Funds maintained under the Collective Trust initially in accordance with the Fiduciary's instructions indicated in Section 2(a) and as set forth in Exhibit B, and to vary the allocations among the Funds to achieve the investment objective specified in writing by the Fiduciary from time to time. EVTC shall advise the Fiduciary of the allocation of such funds quarterly or more frequently. EVTC is hereby authorized to adopt on behalf of the Plan (without further action on behalf of the Fiduciary) the declaration of trust of any other common, collective, or commingled trust fund maintained or advised by EVTC or its affiliates (which meets the requirements of Revenue Ruling 81-100, as amended from time to time) as part of the Plan for purposes of providing one or more investment vehicles for Account assets as EVTC may deem advisable. Such declaration of trust, as it may be amended from time to time, shall be specifically incorporated as part of the Plan and this Adoption Agreement, and the Plan agrees to be bound by its terms. The Fiduciary agrees that if there is any inconsistency between this Agreement and the Declaration of Trust or such other declaration of trust, the Declaration of Trust or such other declaration of trust, as applicable, shall control.

(c) The Fiduciary acknowledges having received copies of the Declaration of Trust, the Supplemental Declaration of each Fund, and a memorandum describing investment objectives, policies, compensation arrangements, and other aspects of each Fund, and having had adequate time to review their terms with its legal counsel and discuss the same with EVTC. The Fiduciary acknowledges and agrees (i) to the procedures for exchanges and redemptions of Units as described in such documents, and (ii) that adjustments in the number and value of the Plan's Units that may be required if Units of one Class are exchanged for Units of another Class.

3. Withdrawals. At the Fiduciary's request by notice to EVTC, EVTC shall withdraw assets of the Account from the Collective Trust as of the next date of valuation of the Collective Trust's assets ("Valuation Date") for which a withdrawal notice is timely made in accordance with the provisions of the Declaration of Trust and pay the proceeds of such withdrawal to the Plan, as directed by the notice and in accordance with the Declaration of Trust.

4. Representations of the Fiduciary with respect to the Plan.

The following representations of the Fiduciary apply to the Plan. The Fiduciary warrants and represents to, and agrees with, EVTC as indicated under the applicable box checked below:

- (a)  Qualified Plan:
- (i) the Plan is qualified under Code Section 401(a);
  - (ii) the Plan is funded by a trust which is exempt from United States federal income taxation under Code Section 501(a);
  - (iii) the Plan does not cover any self-employed individuals within the meaning of Code Section 401(c)(1); and
  - (iv) the Plan is not an individual retirement account described in Code Section 408 or Section 408A.
- (b)  Governmental Plan:
- (i) the Plan is established and maintained for its employees by the U.S. Government, by the government of a State or political subdivision thereof, or by an agency or instrumentality of the foregoing, within the meaning of Code Section 414(d);
  - (ii) the plan is (please check applicable box):  qualified under Code Section 401(a); or  an eligible deferred compensation plan within the meaning of Code Section 457(b) that is established and maintained by an eligible governmental employer described in Code Section 457(e)(1)(A); or  other Governmental Plan;
  - (iii) the Plan is not subject to Federal income taxation;
  - (iv) the Plan has been established by a governmental employer for the exclusive benefit of its employees or their beneficiaries for the purpose of distributing to such employees or their beneficiaries the corpus and income, if any, of the funds accumulated under the Plan;
  - (v) the governing instrument of the Plan expressly provides that it is impossible for any part of the corpus or income of the Plan to be used for, or diverted to, purposes other than the exclusive benefit of employees or their beneficiaries, prior to the satisfaction of all liabilities of the Plan with respect to such employees or their beneficiaries; and
  - (vi) the Plan is not funded by an annuity contract described in Code Section 403(b).
- (c)  Church Plan:
- (i) the Plan is established and maintained by a church, a convention or association of churches, or by an organization, the principle purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits for the employees of a church or a convention or association of churches, and which is controlled by or associated with a church or a

convention or association of churches, all within the meaning of Code Section 414(e);

- (ii) the Plan is not established and maintained primarily for the benefit of employees (or their beneficiaries) who are employed in connection with one or more unrelated trades or businesses within the meaning of Code Section 513;
- (iii) substantially all of the individuals included in the Plan are employees of a church or a convention or association of churches or their beneficiaries; and
- (iv) the Plan is exempt from Federal income taxation under Code Section 501 by reason of being qualified under Code Section 401(a), and is not funded by an annuity contract described in Code Section 403(b).

(d)  Other Group Trust:

- (i) the Plan is a common, collective, or commingled trust fund exempt from tax under Section 501(a) of the Code by reason of meeting the requirements of Revenue Ruling 81-100, as amended; and
- (ii) the Plan consists solely of assets of Plans described in Section 4(a), (b), or (c) of this Adoption Agreement, as applicable, that have provided to the Fiduciary representations and warranties substantially similar to those set forth in Section 4(a), (c), or (d) of this Adoption Agreement, as applicable, each of which is true and correct.

(e)  Insurance Company Separate Account:

- (i) the Plan is a separate account maintained by an insurance company, as defined in Section 2(a)(17) of the Investment Company Act of 1940; and
- (ii) the Plan funds a contract offered to and held solely by plans described in Section 4(a), (b), or (c) of this Adoption Agreement, as applicable, that have provided representations and warranties substantially similar to those set forth in Section 4(a), (b), or (c) of this Adoption Agreement, as applicable, each of which is true and correct.

(f) The Fiduciary has authority to appoint EVTC as trustee and investment manager, and to enter into this Adoption Agreement on behalf of the Plan, and the trust documents and other documents under which the Plan is operated provide the Fiduciary with the authority to incorporate the Declaration of Trust by general or specific reference and to make the investment and grant the approvals provided herein. The Fiduciary shall furnish EVTC with a copy of the Plan's most recent favorable determination letter from the Internal Revenue Service establishing its exempt status or with other evidence satisfactory to EVTC that Fiduciary qualifies to invest in the Collective Trust.

(g) If the Plan permits participants to direct the investment of assets allocated to their accounts under the Plan, the Plan is maintained by its sponsor as a Plan that satisfies in form and operation the requirements of Section 404(c) of ERISA and regulations promulgated thereunder by the U.S. Department of Labor.

(h) The Fiduciary acknowledges that, in order to invest and participate in the Funds, the Plan must satisfy applicable requirements of Revenue Ruling 81-100, as amended, the Securities Act, the Investment Company Act, and any applicable rules of the U.S. Internal Revenue Service or the U.S. Securities and Exchange Commission, as amended from time to time, regarding participation in a collective trust fund maintained by a bank or trust company in the form of a “group trust.” Consequently, the Fiduciary will notify the Trustee promptly in the event the Plan no longer meets the conditions for eligibility or is for any other reason disqualified from continuing to participate in the Funds, and will furnish such other information and documents (including, without limitation, documents governing the Plan) or assurances as the Trustee may request in order to determine the Plan’s eligibility to participate in the Funds. Each addition to any Fund by the Plan shall constitute a reaffirmation by the Fiduciary that the Plan’s and the Fiduciary’s representations and warranties contained in this Agreement are true and correct on and as of the date each such addition is made. The Trustee, and any investment adviser or sub-adviser retained by the Trustee, is entitled to rely on the Plan’s and the Fiduciary’s representations and warranties in this Agreement and any additional information provided by the Fiduciary to the Trustee pursuant to this Agreement unless and until superseded by the Fiduciary in writing and provided to the Trustee.

(i) The Plan, together with any Participating Trusts of other plans maintained by the same employer and its affiliates, has total assets at the time of the Plan’s investment in the Fund of [please check/initial applicable box]

\_\_\_\_\_ [initials] at least \$250 million / \_\_\_\_\_ [initials] less than \$250 million.

(j) Please check and initial appropriate statement:

\_\_\_\_\_ [initials] The Plan is a state or local government entity (including an entity of a city, town, county or any other municipality).

\_\_\_\_\_ [initials] The Plan is not a state or local government entity (including an entity of a city, town, county or any other municipality).

5. Broker and Subcustodian. Transactions for each Fund shall be effected through a broker selected by EVTC. All brokerage fees shall be paid from the relevant Fund. EVTC, in its sole discretion, may retain the services of a subcustodian for the Collective Trust.

6. Trustee’s Retention of Sub-advisers for Funds.

(a) The Fiduciary acknowledges that the Trustee is authorized under the Declaration of Trust to retain investment advisers or sub-advisers, which may be affiliated or unaffiliated with EVTC, to assist the Trustee with respect to the investment of the assets of any Fund. The Fiduciary further acknowledges that the Trustee has retained sub-advisers with respect to certain of the Funds, as indicated in the

Supplemental Declaration of each affected Fund, and consents to such retention. The Trustee agrees to pay fees or compensation due to such sub-advisers for their services with respect to the Funds from its own resources (including any compensation payable to the Trustee pursuant to this Agreement). If the Plan is subject to ERISA, the Fiduciary hereby confers on the Trustee such authority as is necessary to enable the Trustee to appoint any such sub-adviser as an investment manager (as such term is defined by ERISA Section 3(38)) with respect to the Plan, with responsibilities as such limited to, assets of the Plan that are held in the Funds.

(b) The Fiduciary also acknowledges that the Trustee is authorized under the Declaration of Trust to appoint the trustee or investment adviser of any fund in which the assets of the Collective Trust may be invested as an investment manager (as such term is defined by Section 3(38) of ERISA) with respect to Participating Trusts subject to ERISA, with responsibilities as such limited to the assets of such Participating Trusts that are held in such funds. If the Plan is subject to ERISA, the Fiduciary further acknowledges and agrees that Trustee has, pursuant to the Declaration of Trust, such authority as is necessary to enable Trustee, if Trustee in its discretion deems it necessary or advisable to do so, to effect such appointment of an investment manager with respect to the Plan.

7. Confidential Relationship. All information, recommendations, and advice furnished by EVTC to the Plan under this Agreement shall be regarded as confidential by the Plan and by the Fiduciary. By acceptance of this Agreement, EVTC agrees to keep in strict confidence all information concerning the affairs of the Plan and the Fiduciary.

8. Securities Lending. If EVTC lends securities held in the Funds to broker-dealers and certain financial institutions, such loans will be continuously secured by collateral consisting of cash, U.S. Government securities, and such other forms of collateral as may be permitted from time to time by Prohibited Transaction Exemption 2006-16 issued by the U.S. Department of Labor, as amended from time to time, or any successor exemption, or otherwise, in an amount at least equal to the market value of the securities loaned.

9. Scope of EVTC's Discretion. It is understood that EVTC may for various reasons have different recommendations to, or take different investment action for, other clients or make recommendations to, or direct investment action for, different clients at different times.

10. Limitation on Investment Authority and Responsibility. EVTC and its affiliates shall have no authority or responsibility pursuant to this Agreement to advise the Fiduciary regarding any assets of the Plan not designated by the Fiduciary for the Account. In addition, EVTC shall have no authority or responsibility with respect to any Plan assets managed by any affiliate, pursuant to any agreement or understanding other than this agreement. The Fiduciary shall give EVTC prompt written notice if the Plan deems its investment in the Collective Trust, or any transactions contemplated by this Agreement to be in conflict with restrictions in the Plan or its related trust and/or any current or future laws of any state and/or any other contract or instrument that purports to bind the Fiduciary or the Plan.

11. Representations of EVTC. EVTC confirms that it is a bank, as defined in the Investment Advisers Act of 1940, and acknowledges that it is an "Investment Manager" and fiduciary with respect to the assets in the Account, which EVTC has been given authority to

manage. EVTC also represents that it has insurance coverage for fiduciary liability. EVTC additionally represents, warrants and agrees that:

(a) it is a fiduciary (as defined in Section 3(21) of ERISA) with respect to the Plan. The Trustee will discharge its duties with respect to the Plan's investment in the Funds solely in the interest of the participants and beneficiaries of the Plan and in accordance with all applicable provisions of ERISA;

(b) it will seek to not cause the Plan to enter into any non-exempt transaction prohibited under Section 406 of ERISA or upon which an excise tax may be assessed under Section 4975 of the Code;

(c) it shall comply with all applicable rules, regulations and interpretations of the DOL and the U.S. Securities and Exchange Commission ("SEC") dealing with "soft dollar" arrangements as permitted under Section 28(e) of the Securities Exchange Act of 1934, as amended. Moreover, Trustee may not use any affiliate as a broker or dealer with respect to a transaction for a Fund unless such use complies in all respects with the requirements of DOL PTE 86-128, as amended; and

(d) all expenses charged to the Collective Trust shall comply with ERISA and DOL guidance issued thereunder concerning the use of "plan assets" (as such term is defined in Section 3(42) of ERISA) for the payment of such expenses.

12. ERISA Compliance. The Fiduciary hereby agrees to, upon request, identify the sponsor of the Plan, and provide a current list of affiliates of the sponsor of the Plan and any and all further information which EVTC may deem necessary or appropriate in connection with the Plan's investment in the Collective Trust. The Fiduciary also acknowledges that EVTC, and any investment adviser or sub-adviser retained by EVTC, may rely on exemptions provided under ERISA, including, without limitation, ERISA Section 408(b)(17), and exemptions promulgated by the U.S. Department of Labor, including, without limitation, Prohibited Transaction Exemption ("PTE") 91-38 (applicable to transactions of a common or collective trust fund maintained by a bank or trust company) in connection with transactions undertaken by or on behalf of the Funds. Accordingly, the Fiduciary represents that, except as the Fiduciary has notified EVTC in writing prior to or contemporaneously with the Fiduciary's execution of this Agreement:

(a) The Fiduciary or any other person that has authority to subscribe for or redeem Units or to negotiate the terms of this Agreement<sup>\*</sup> is not, and the Fiduciary or such other person is not a director or employee of, and does not have an affiliate (within the meaning of Section IV(a) of PTE 91-38) that is, an issuer of publicly traded securities or a bank, broker-dealer, insurance company, trust company, or similar financial institution;

(b) No person other than the Fiduciary has or has exercised any discretionary authority, control, responsibility, or influence with respect to the investment of the Plan's

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\* Such person may include, for example, the Plan sponsor, a designated officer or officers of the Plan sponsor, a fiduciary or investment committee appointed by the Plan sponsor, or a board of trustees or similar group. In the case of a fiduciary committee, board of trustees, or similar group, the representation applies to each member of the committee, board, or group.



assets in, or held by, the Funds or renders investment advice (within the meaning of Section 3(21)(A)(ii) of ERISA) with respect to those assets; and

(c) The Fiduciary has informed EVTC in writing about all restrictions or limitations on employer securities in which the Plan may invest directly or indirectly for purposes of complying with ERISA Section 407, to the extent applicable. EVTC, and any investment adviser or sub-adviser retained by EVTC, shall be entitled to rely on any such information provided by the Fiduciary unless and until superseded in writing and provided to EVTC.

13. Notices. Notices and other communications pursuant to this Agreement shall be deemed duly given if transmitted to the following address or at such other addresses as either party may from time to time designate in writing:

To the Fiduciary and/or the Plan:

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To EVTC:

Eaton Vance Trust Company  
Two International Place  
Boston, Massachusetts 02110  
Attn: Frederick S. Marius

14. Term of Agreement. The term of this Adoption Agreement shall begin on the date the Adoption Agreement is accepted by EVTC, as set forth below, and may be terminated at any time without penalty by written notice delivered by either party to the other. Upon termination, the Plan may withdraw assets of the Account from the Collective Trust only in accordance with the provisions of the Declaration of Trust. During the interim between notice of termination and the date of payment, EVTC shall continue to serve in accordance with the Declaration of Trust and this Adoption Agreement for assets of the Account remaining in the Collective Trust. The effective date of termination shall be specified in such notice. In the event of termination of this Adoption Agreement, all fees payable to EVTC shall be pro-rated to the date of payment, and all assets of the Account then held in a custodial capacity by EVTC shall be transferred as soon as possible to any persons or entities as directed by the Fiduciary. EVTC shall have no liability for making any such transfer of assets.

15. Non-Exclusivity. EVTC acknowledges that this Agreement is not an exclusive contract and that, during its term, the Plan may contract with others to act as custodian, trustee, or investment manager of other assets.

16. No Assignment. Neither party shall assign this Agreement without the written consent of the other party.

17. Representations by the Fiduciary. The execution and delivery of this Adoption Agreement by the Fiduciary shall constitute a representation by the Plan that the terms hereof do not violate any obligation by which the Plan is bound and that the Plan possesses the legal power and authority to enter into and execute this Adoption Agreement. If the Fiduciary is a corporation, such execution and delivery constitutes a representation that this Agreement has been duly authorized by appropriate corporate action and that the Fiduciary will, on request, supply to EVTC a certified corporate resolution or such other documentation as EVTC may reasonably require which evidences authority.

18. Compensation and Expenses. The Fiduciary agrees to the compensation arrangements described in the Supplemental Declaration and Offering Memorandum of each Fund.

(a) The Fiduciary acknowledges and agrees that, as provided in the Declaration of Trust, the Trustee may change its compensation or the source of payment thereof by notice of such change given to the Fiduciary at least 30 days before the effective date of such change. The Fiduciary understands that Fund Units are subject to a Trustee Fee that differs depending on whether the Plan's aggregate investment in the Collective Trust, either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates, is \$75 million or more, or less than \$75 million. The Fiduciary further understands that, if the Plan's aggregate investment in the Collective Trust, either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates, is less than \$75 million, but the Fiduciary in good faith intends and expects that the Plan's aggregate investment in the Collective Trust, either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates, will amount to at least \$75 million within 12 months, the Fiduciary may request that the Plan be permitted to acquire and hold Units subject to a Trustee Fee applicable to a plan that, either by itself or in combination with Participating Trusts of other plans maintained by the same employer and its affiliates, invests \$75 million or more in the Collective Trust, by submitting a written request and representation to the Trustee substantially in the form of Exhibit C.

(b) Upon or promptly after executing this Agreement, the Fiduciary will give the Trustee a separate written notice substantially in the form of Exhibit D selecting a Unit Class with, if applicable, an "Administrative Service Fee" and directing the Trustee to pay such Fee that is attributable to the Plan to a service provider of the Plan identified in such notice. The Fiduciary further agrees to provide the Trustee with such additional information regarding the service provider as Trustee may reasonably request. The Trustee is authorized to continue paying the Administrative Service Fee to such service provider upon receipt of an invoice for such Fee in reliance on the Fiduciary's most recent notice and direction received by the Trustee unless and until the Fiduciary notifies Trustee otherwise in writing. The Fiduciary may request that the Plan's Units be exchanged for Units that are subject to a different Administrative Service Fee by consulting with, and submitting a written request to, the Trustee.

19. Directions from the Fiduciary; Indemnification. The Fiduciary has designated the individual(s) identified in Exhibit A to this Agreement (as amended by the Fiduciary from time to time) to communicate directions, instructions, or other notices required or permitted under this Agreement or the Declaration of Trust to the Trustee on the Fiduciary's behalf. The Trustee

shall be protected fully in relying on and proceeding in accordance with any such direction or notice until notified otherwise by the Fiduciary in writing. The Fiduciary hereby agrees to indemnify the Trustee, its affiliates, and their respective directors, officers, and employees (each, an “indemnified party”), and hold them harmless from all liabilities, losses, claims, demands, damages, costs, and expenses, including reasonable attorneys’ fees, arising from (i) any act taken or omitted by an indemnified party in good faith in accordance with directions of any person authorized to give a direction with respect to the matter, or (ii) the failure of the representations and warranties given hereunder by the Fiduciary on its own behalf or on behalf of the Plan to be true, complete, and accurate in all material respects. This indemnity will survive the termination of this Agreement.

20. Omnibus Accounts.  \_\_\_\_\_ [initials] If this box is checked and initialed by the Fiduciary, (i) the Fiduciary intends that Plan additions and withdrawals pursuant to this Agreement be made through an omnibus account established with each Fund (“Omnibus Account”) by \_\_\_\_\_, a service provider for the Plan (“Service Provider”), pursuant to an agreement between the Service Provider and the Trustee to account for the participation in the Funds of certain Participating Trusts, including the Plan, and (ii) the following provisions shall apply:

(a) Notwithstanding any other provision of this Agreement, the Plan’s participation in each Fund shall be effected through the Omnibus Account pursuant to the Fiduciary’s instructions to the Service Provider and the Service Provider’s instructions to the Trustee, and the Trustee shall hold such assets of the Plan as shall be delivered to it by Service Provider from time to time as part of the Omnibus Account. The Plan shall continue to make additions and withdrawals through the Omnibus Account until the Omnibus Account is terminated or another relationship acceptable to the Trustee is established between the Trustee and the Plan.

(b) The Fiduciary acknowledges that (i) the Trustee has authorized the Service Provider, as limited agent of the Trustee, to receive and accept orders for Plan purchases and sales of Units (“Orders”) on the Trustee’s behalf, (ii) the Trustee will be deemed to have received an Order when the Service Provider (or its authorized designee) receives the Order, (iii) Orders accepted by the Service Provider before the Close of Trading on a Valuation Date shall be treated as having been received by the Service Provider on such Valuation Date and Orders accepted by the Service Provider at or after the Close of Trading on a Valuation Date shall be treated as having been received by the Service Provider on the next Valuation Date, and (iv) and the value of Units purchased or redeemed will be the value determined for the Valuation Date on which they are received pursuant to the foregoing procedures.

(c) The Service Provider shall be entitled to receive compensation in connection with each Omnibus Account, as described in Exhibit D, based on the value of Units held by Participating Trusts, including the Plan, through the Omnibus Account. The Fiduciary has determined, taking into account the totality of the services provided by Service Provider to the Plan, including services provided with respect to the Omnibus Account and otherwise, that the Service Provider’s compensation is, and will continue to be, in the aggregate, reasonable in relation to such services.

(d) The Fiduciary acknowledges that the Trustee reserves the right to postpone or decline processing of any such transaction if it determines that the transaction is not in the best interest of the affected Fund.

21. Trading Restrictions. The Fiduciary acknowledges that a Fund may impose certain restrictions with respect to the frequent trading of its Units if the Trustee becomes aware of disruptive trading activity within a Fund. The Fiduciary understands and agrees that the Trustee may implement such restrictions, which may result in the Units of one or more Funds being unavailable for purchase by or for the benefit of the Plan or one or more participants of the Plan. The Fiduciary acknowledges and agrees that no provision of this Agreement shall preclude application of such restrictions or guarantee availability of any Fund's Units for purchase by or for the benefit of the Plan or any Plan participant. Additionally, the Fiduciary agrees to provide information regarding the trading activity of underlying accounts within the Plan as is reasonably requested by the Trustee.

22. Governing Law, Interpretation. The interpretation of this Agreement and the rights of the parties hereunder shall be governed by ERISA and other applicable federal law and, to the extent not preempted by the foregoing, the laws of the State of Massachusetts, without giving effect to principles of conflict of law. Section headings and captions used in this Agreement are for convenience and reference only and shall not be deemed to limit or affect the terms or provisions herein.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties have executed this Adoption Agreement as of the date and year first above written.

\_\_\_\_\_  
(Full Name of Plan)

Plan Year End: \_\_\_\_\_

Plan Sponsor: \_\_\_\_\_

Plan Sponsor EIN: \_\_\_\_\_

Plan Number: \_\_\_\_\_

(e.g., 001, 002, etc.)

Plan Tax ID Number: \_\_\_\_\_

By: \_\_\_\_\_

FIDUCIARY (Print Name)

Dated: \_\_\_\_\_

\_\_\_\_\_  
FIDUCIARY SIGNATURE (on behalf of itself, as to the representations in Sections 4(a) and 17 only)

TITLE: \_\_\_\_\_

AGREED and ACCEPTED, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

EATON VANCE TRUST COMPANY

By: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT A: WIRE INSTRUCTIONS**

**Wire Instructions for redemption and distribution proceeds (standing wire instructions unless instructed by authorized individual).**

Bank: \_\_\_\_\_  
Location: \_\_\_\_\_  
ABA #: \_\_\_\_\_  
Account #: \_\_\_\_\_  
Further Credit: \_\_\_\_\_

**The following individuals, whose signatures appear below, are authorized to give directions on behalf of the Fiduciary to the Trustee with respect to the matters addressed in this Agreement:**

<u>Name</u>	<u>Title</u>	<u>Signature</u>	<u>Telephone #</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**Wire Policy:**

Wires that are received without notification to the Trustee will not be credited until instructions are received from an authorized individual. If a wire is not received by 3:00 p.m. on the required date to fund a purchase, the purchase will be credited to the following day.

**Withdrawal Policy:**

Withdrawal requests will be executed in accordance with Section 3 of the Agreement.

**EXHIBIT B**

**TRUST ASSETS TO BE ALLOCATED TO THE FUNDS BY THE FIDUCIARY**

<u>PORTFOLIO NAME</u>	<u>AMOUNT</u>
Large Cap Value Fund	\$ _____
Large Cap Growth Fund	\$ _____
Small Cap Core Fund	\$ _____
Large Cap Core Research Fund	\$ _____
Investment Grade Income Fund	\$ _____
High Yield Fund	\$ _____
Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund	\$ _____
Eaton Vance Trust Company/Parametric Structured Commodity Fund	\$ _____

**EXHIBIT C**

**[PARTICIPATING PLAN LETTERHEAD]**

Eaton Vance Trust Company  
Two International Place  
Boston, MA 02110

**Re: Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans  
("Collective Trust") –  
Letter of Intent Regarding Investment in Collective Trust**

Dear Sir or Madam:

The undersigned ("Fiduciary"), a fiduciary of the plan / trust identified below ("Plan") that participates in one or more Funds of the Collective Trust, is responsible for selecting Plan investments or investment options. Because the Plan's aggregate investment in the Collective Trust, either by itself or in combination with participating trusts of other plans maintained by the same employer and its affiliates, currently is less than \$75 million, the Plan currently holds Units that are subject to the Trustee Fee applicable to Classes I-IV ("Tier One Units"). However, the Fiduciary hereby requests that Eaton Vance Trust Company ("EVTC") permit the Plan to acquire and hold Class V-VIII Units ("Tier Two Units"), which are subject to a Trustee Fee available to a plan that, either by itself or in combination with participating trusts of other plans maintained by the same employer and its affiliates, invests at least \$75 million in the Collective Trust in the aggregate. The Fiduciary represents to EVTC that, subject to the Fiduciary's fiduciary obligations under applicable law, the Fiduciary intends and expects that the Plan's aggregate investment in the Collective Trust, either by itself or in combination with participating trusts of other plans maintained by the same employer and its affiliates, will amount to at least \$75 million within 12 months of the date of this letter. The Fiduciary understands that EVTC will rely on this representation in permitting the Plan to acquire and hold Tier Two Units.

The Fiduciary further acknowledges and agrees as follows: By permitting the Plan to hold Tier Two Units, at a reduced Trustee Fee, EVTC is waiving, based on the Fiduciary's representation above, a requirement otherwise applicable to the Plan, and that EVTC may terminate such waiver at any time in its sole discretion. If (i) EVTC terminates the waiver, or (ii) the Plan's aggregate investment in the Collective Trust, either by itself or in combination with participating trusts of other plans maintained by the same employer and its affiliates, has not increased to at least \$75 million on or before the anniversary of the date indicated below, the Fiduciary authorizes and directs EVTC to exchange, immediately and without further notice, the Plan's Tier Two Units for Tier One Units. The Fiduciary acknowledges that the Tier One Units acquired by the Plan in such exchange will be subject to an Administrative Service Fee (if applicable) that is the same as, and a Trustee Fee that is higher than, the Administrative Service Fee and Trustee Fee applicable to the Tier Two Units exchanged.

Sincerely,

Printed Name of Participating Trust: \_\_\_\_\_

Printed Name of Fiduciary: \_\_\_\_\_

By: Authorized Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**EXHIBIT D**

TO: Eaton Vance Trust Company  
 Two International Place  
 Boston, MA 02110  
 Attention: \_\_\_\_\_

RE: **Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans (“Collective Trust”) – Selection of Unit Class and (if applicable) Administrative Service Fee and Designation of Service Provider**

The undersigned (“Fiduciary”), an authorized fiduciary of the employee benefit plan identified below (“Plan”), hereby selects the following Class of Units – including (if applicable) the rate of Administrative Service Fee applicable to such Class – to be held by the Plan as a participant in certain Funds identified below:

Unit Class (see Instructions)	Administrative Service Fee
_____ Class I or V	_____ 0.00%
_____ Class II or VI	_____ 0.10%
_____ Class III or VII	_____ 0.15%
_____ Class IV or VIII	_____ 0.25%

To be completed if the selected Unit Class is subject to an Administrative Service Fee: Fiduciary authorizes and directs Eaton Vance Trust Company, as trustee of the Collective Trust (“Trustee”), to pay such Administrative Service Fee that is attributable to the Plan to the Service Provider referred to in Section 20 of the Adoption Agreement pursuant to which the Plan participates in the Collective Trust (“Adoption Agreement”) and identified below:

Name of Service Provider: \_\_\_\_\_

Fiduciary represents and warrants to Trustee that the Administrative Service Fee to be paid to the Service Provider is compensation that Fiduciary has determined is reasonable and a legitimate expense of Plan administration. Fiduciary agrees to provide Trustee with such additional information regarding the Service Provider as Trustee may reasonably request. Fiduciary acknowledges that Trustee is authorized to continue paying the Administrative Service Fee to such Service Provider upon receipt of an invoice for such Fee in reliance on this instruction unless and until Fiduciary notifies Trustee otherwise in writing. Fiduciary also acknowledges that the Administrative Service Fee is separate from and in addition to the Trustee Fee paid to the Trustee in accordance with Section 18 of the Adoption Agreement.

To be completed regardless of whether the selected Unit Class is subject to an Administrative Service Fee: Fiduciary is authorized to give this notice and direction on the Plan’s behalf.

Name of Fund(s): \_\_\_\_\_

Name of Plan: \_\_\_\_\_

Signature of Fiduciary: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**EATON VANCE TRUST COMPANY**  
**COLLECTIVE INVESTMENT TRUST FOR EMPLOYEE BENEFIT PLANS**

March \_\_\_\_\_, 2012

San Mateo County Employees Retirement Association  
100 Marine Parkway, Suite 125  
Redwood Shores, California 94065  
Attn: Gary Clifton

Dear Mr. Clifton:

This letter agreement (the “Agreement”) between Eaton Vance Trust Company (Trustee) supplements the Trust Fund Documents (as defined below) and confirms our understanding relating to the investment by the San Mateo County Employees Retirement Association (the “Plan”) as a participant in the trust fund, as provided for in the: Eaton Vance Trust Company Collective Investment Trust for Employees Benefit Plans Adoption Agreement; the Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund A Separate Trust Fund Of Eaton Vance Trust Company Collective Investment Trust For Employee Benefit Plans Offering Memorandum; Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans Amended and Restated Declaration of Trust dated April 28 2010; and the Eaton Vance Trust Company Collective Investment Trust for Employee Benefit Plans Amended and Restated Supplemental Declaration Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund effective December 27, 2010.

1. **Confidentiality.**

(a) The Trustee hereby acknowledges that, as local public agencies in the State of California, the Plan is a “public agency” subject to the provisions of the State of California Public Records Act (Cal. Govt. Code Sections 6250 et. seq.) (the “Public Records Act”), which provides generally that all records relating to a public agency’s business, including but not limited to its investment in the Trust, constitute “public records or files,” and are open to public inspection, disclosure and copying in

the manner provided in the Public Records Act, unless specifically exempted under the Public Records Act (including, without limitation, exemptions on the grounds that such records represent proprietary information or trade secrets), and the Ralph M. Brown Act (Cal. Govt. Code Sections 54950 et seq.) (the “Open Meetings Act”), which provides generally for open meetings for local legislative bodies. In addition to the Public Records Act and Open Meeting Act, Trustee hereby acknowledges that the Plan may also be subject to other various local and county ordinances which may also require public disclosure of certain information.

(b) The Trustee further acknowledges and agrees that the Plan intends to disclose periodically the name of the Trust, the date the investment was made by the Plan in the Trust, the amount of cash distributed to the Plan by the Trust, the market value of the Plan’s investment in the Trust, and the net internal rate of return of the Plan’s investment in the Trust. The Trustee consents in advance to such disclosures with respect to the Trust and any such disclosure shall not constitute a breach of this Agreement. The Trustee hereby represents and warrants that it shall not make any claim against the Plan if the Plan makes available to the public any of the foregoing.

(c) In the event that pursuant to the Public Records Act, the Open Meetings Act, the Plan is requested to disclose information concerning the Trust other than that information detailed in Paragraph 1(c) above, the Plan shall provide the Trustee with prompt written notice of such request, including a detailed summary of the additional information being requested, and inform the Trustee of the deadline for responding to such request in order to enable the Trustee (i) to seek an appropriate protective order or other remedy, or (b) to consult with the Plan on taking steps to resist or narrow the scope of such request.

2. **Most Favored Nations.** If the Trustee has entered into or will enter into an agreement with a different Plan (a “other Plan”) whose investment is of comparable or smaller size to the Plan’s granting rights or terms, including terms relating to any fees but excluding provisions agreed upon in order to accommodate an Plan’s tax, regulatory or similar status, that are more favorable in any material respect than the rights and terms granted with respect to the Plan, the Trustee shall notify and offer the same favorable terms to the Plan.

3. **Legal Actions.**

a) The Trustee represents that there have been no criminal actions or proceedings (pending on appeal or concluded) or investigations (other than routine examinations) against the Trust, or the Trustee or their affiliates within the last five years, nor have there been any administrative or civil actions, suits or

proceedings (pending, on appeal, or concluded) or investigations (other than routine examinations) during such period against such persons that were commenced by: (i) any governmental authority or agency in connection with an alleged violation of any securities laws or regulations or (ii) any other person that either asserted fraud or securities law violations that, in the case of clause (i) or clause (ii) above, is material to the operation of the Trust or the Trustee.

- b) The Trustee shall notify the Plan immediately of (i) any lawsuits or legal proceedings in which the Trust, the Trustee, or their affiliates are a named party or witness, or (ii) any lawsuit or legal proceedings pending of which they are aware which may, in the case of clause (i) or clause (ii) above, materially adversely affect the ability of the Trustee to perform its obligations if adversely decided.
  - c) The Trustee shall notify the Plan immediately of any investigation (other than routine examinations or sweep examinations focused outside the Trust's investment strategy) by the Securities and Exchange Commission or any other regulatory or administrative body with authority over the Trustee or their affiliates which involve the Trustee, or their affiliates that materially adversely affect the ability of the Trustee to perform its respective obligations under the Trust.
4. **Fiduciary Duties.** The Trustee agrees to carry out its fiduciary duties with respect to the Plan with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matter would use in the conduct of a like character and with like aims, and with respect to all investment opportunities, to allocate such opportunities among the clients and entities managed by the Trust on a fair and equitable basis.
5. **Investment Strategy and Restrictions.** The Trustee agrees to provide the Plan with 90 calendar days' prior written notice of a fundamental change in the investment strategy from that described in the Trust Document.
6. **Changes to Valuation Policy.** The Trustee shall provide the Plan with notice of any change in the valuation policy as set forth in Article V of the Declaration of Trust.
7. **Insurance.** The Trustee (a) represents and warrants that it has D&O insurance providing for coverage in an amount equal to at least \$30 million and (b) agrees to use commercially reasonable efforts (subject to market availability) to maintain D&O insurance coverage of not less than \$20 million at all times during the term of the Partnership. The Trustee shall provide the Plan with notice of any material changes in insurance and any material claims made against the insurance policy or policies.

8. **Immunity**. The Trustee acknowledges that Plan reserves all immunities, defenses, rights or actions arising out of Plan's status, to which Plan may be entitled. No provision of the Trust documents shall be construed as a waiver or limitation of such immunities, defenses, rights or actions.
9. **Governing Law**. This Letter Agreement will be governed by and construed in accordance with the laws of the State of California, without regard to the laws that might otherwise govern under applicable principles of conflicts of laws thereof.
10. **Venue; Jury Trial**. Because of the Plan's status as a public agency of the State of California, in the event that any action shall be brought by any party under this letter, the Trust documents, the parties hereto agree that trial of such action shall be exclusively vested in a state court in the County of San Mateo, or where appropriate, in the United States District Court for the Northern District of California, San Francisco, California. The Trust and the Trustee acknowledge and agree that the Plan does not waive its right to a trial by jury.
11. **California Political Reform Act**. The Trustee, as applicable, in its capacity as a consultant (as that term is defined in the California Government Code) to Plan, will comply with the requirements of the California Political Reform Act, California Government Code 87100 et seq., and its implementing regulations. Such requirements include the filing of a "Form 700" upon engagement, upon termination of the engagement, and annually during the term of the engagement.
12. **Placement Agent Policy**. The Trust confirms that no placement fees have been paid by the Trust or any affiliate in connection with the investment made by the Plan on or about the date hereof. The Trustee acknowledges that it has received the Plan's Placement Agent Disclosure Policy, adopted pursuant to the California Government Code, and attached hereto as Exhibit A, and agrees to comply with this policy. The Trustee further acknowledges that it has completed the Plan's Placement Agent Information Disclosure Form (the "Form"), and represents and warrants to the accuracy of the information that the Trustee has provided in the Form. If any information provided by the Trustee in the Form changes, the Trustee agrees to update the Plan within 30 calendar days of the date that the Trustee knew or should have known of the change in information.

Sincerely,

By: Eaton Vance Trust Company

By: \_\_\_\_\_

Name:

Title:

San Mateo County Employees Retirement Association

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 6.6

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of Investment Committee Plan for Fiscal Year 2021/2013

**STAFF RECOMMENDATION:** Staff recommends that the committee review, revise as required and adopt the Investment Committee plan for fiscal year 2012 / 2013.

**STAFF COMMENTS:** The Investment Committee is charged with providing direction to the board in its ongoing evaluation of *SamCERA's Investment Policy*. The schedule below should reflect the committees' strategic objectives for the 2012 / 2013 fiscal year. Last year the board delegated the annual manager reviews to staff. The schedule for annual manager reviews follows the Investment Committee Charter on this agenda item.

March 27, 2012	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Execute Documentation with International Equity Manager(s) (if required)</li> <li>• Execute Documents with Private Equity Firms (if required)</li> </ul>
April 24 & 25, 2012  <b>Board Retreat</b>	<ul style="list-style-type: none"> <li>• Two Day Board Retreat Schedule to be Provided Later</li> </ul>
May 25, 2012	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Investment Performance Analysis for period ended March 31, 2012</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Report on Annual Review of <i>SamCERA's</i> Core Equity Portfolios</li> </ul>
June 26, 2012	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Report on Annual Review of <i>SamCERA's</i> Domestic and International Value Equity Portfolios</li> </ul>
July 24, 2012	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Report on <i>SamCERA's</i> Security Lending Program</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Annual Investment Consultant Review – Strategic Investment Solutions</li> <li>• Report on Annual Review of <i>SamCERA's</i> Domestic and International Growth Equity Portfolios</li> </ul>
August 28, 2012	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Investment Performance Analysis for period ended June 30, 2012</li> <li>• Annual Review, Revision &amp; Reaffirmation of the Investment Committee Charter</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Report on Annual Review of <i>SamCERA's</i> Core Bond Portfolios</li> </ul>

September 25, 2012	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Report on Annual Review of <i>SamCERA</i>'s Bond Strategy Portfolios</li> </ul>
October 23, 2012	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Report on <i>SamCERA</i>'s Security Lending Program</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Annual Review of <i>SamCERA</i>'s Alternative Investment Portfolios</li> </ul>
December 11, 2012  Note: Date Change of November and December Meetings	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Investment Performance Analysis for Period Ended September 30, 2010</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Annual Review of <i>SamCERA</i>'s Private Equity Investments</li> </ul>
January 22, 2013	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Report on <i>SamCERA</i>'s Security Lending Program</li> <li>• Execute Documents with Private Equity Firms (if required)</li> </ul>
February 26, 2013	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Investment Performance Analysis for Period Ended December 31, 2012</li> <li>• Execute Documents with Private Equity Firms (if required)</li> </ul>
March 26, 2013	<ul style="list-style-type: none"> <li>• Two Day Board Retreat Schedule to be Provided Later</li> </ul>
April 23 & 24, 2013  <b>Board Retreat</b>	<ul style="list-style-type: none"> <li>• Two Day Board Retreat Schedule to be Provided Later</li> </ul>
May 28, 2013	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Investment Performance Analysis for period ended March 31, 2010</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Report on Annual Review of <i>SamCERA</i>'s Core Equity Portfolios</li> </ul>
June 25, 2013	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Annual Review of <i>SamCERA</i>'s Domestic and International Value Equity Portfolios</li> </ul>
July 23, 2013	<ul style="list-style-type: none"> <li>• Monthly Portfolio Performance Report</li> <li>• Quarterly Report on <i>SamCERA</i>'s Security Lending Program</li> <li>• Execute Documents with Private Equity Firms (if required)</li> <li>• Report on Annual Review of <i>SamCERA</i>'s Domestic and International Growth Equity Portfolios</li> </ul>



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Investment Committee Charter**  
RESOLUTION 99-00-09, As Amended

*This Resolution, adopted by the Board of Retirement (Board)  
of the San Mateo County Employees' Retirement Association (SamCERA),  
sets forth the Charter for the Board's Investment Committee.*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

*Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:*

*(a) The retirement board shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.*

*(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.*

*(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.*

*(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.*

*(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the system...; &*

**WHEREAS**, California Government Code §31595 states, as follows:

*The Board has exclusive control of the investment of the employee's retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &*

**WHEREAS**, The Board of Retirement, wishes to exercise these powers as follows:

**EXERCISE OF POWERS:** *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meetings; &*

**WHEREAS**, the Board has adopted SamCERA's Investment Plan and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Plan. Therefore, be it

**RESOLVED** that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Plan, including but not limited to

1.0 CONDUCT ASSET ALLOCATION STUDIES

- 1.1 Determine the characteristics of the Plan's liabilities in regards to the nature of Fund's cash flows
- 1.2 Evaluate plan funded status
- 1.3 Evaluate active & retired member demographics
- 1.4 Model plan payments for 50-70 years into future

- 1.5 Project expected contribution rates & variability
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
  - 2.1 Establish allowable asset classes
  - 2.2 Determine asset class benchmarks
  - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
  - 3.1 Define risk, return and correlation
  - 3.2 Evaluate mean variance optimization
  - 3.3 Determine low risk alternatives and high risk alternatives
  - 3.4 Scale portfolios between two extremes
  - 3.5 Evaluate optimized efficient frontier
  - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
  - 4.1 Assess risk/reward trade-offs
  - 4.2 Assess contribution rate sensitivity & variability
  - 4.3 Assess ability to exceed actuarial interest rate
  - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
  - 5.1 Evaluate differences from current target
  - 5.2 Evaluate Board's willingness to implement new target asset mix
  - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO *SAMCERA'S INVESTMENT PLAN*
  - 6.1 Adjust target asset mix
  - 6.2 Introduce new benchmarks
  - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
  - 7.1 Adjust manager/style line-up as necessary
  - 7.2 Introduce new managers/asset classes
  - 7.3 Terminate managers/asset classes as necessary
  - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
  - 8.1 Recommend time-line & approach to revise structure
  - 8.2 Conduct manager evaluations
  - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
  - 9.1 Monitor results of managers both gross and net of investment management fees
  - 9.2 Assess consistency of portfolio decision making
  - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
  - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
  - 10.2 Define and assign special projects as warranted
  - 10.3 Monitor performance of Investment Consultant
  - 10.4 Conduct evaluations of Investment Consultants
  - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 EVALUATE & RECOMMEND REVISIONS TO THE ECONOMIC ACTUARIAL ASSUMPTIONS AND OTHER ACTUARIAL ASSET CONSIDERATIONS
  - 11.1 Evaluate the data and methodology employed by the Actuary when setting the assumptions for inflation, investment return, salary increase and when establishing the actuarial value of assets and recommend revisions as appropriate.
  - 11.2 Assure that the Consultant integrates Actuarial input with all Asset Liability Modeling Studies
  - 11.3 Evaluate the consistency of actuarial-economic and investment policies and processes
- 12.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 13.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD      Be it further

**RESOLVED** that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it

further

**RESOLVED** that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate County and SamCERA resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

**RESOLVED** that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

**RESOLVED** that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, July 27, 2004

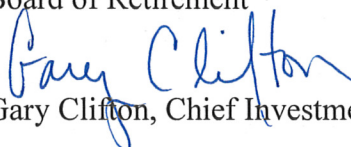
The following schedule is the tentative dates for manager annual reviews by staff.

April 5, 2012	<p style="text-align: center;">Manager Annual Reviews – Various <i>SamCERA</i> International Strategies</p> <ul style="list-style-type: none"> <li>• Franklin Templeton – Global Bonds</li> <li>• Eaton Vance / Parametric – Structured Emerging Markets (The firm will not be requested to appear in 2012)</li> <li>• Pyramis Global Advisors – Select International Small Cap Plus (The firm will not be requested to appear in 2012)</li> </ul>
May 3, 2012	<p style="text-align: center;">Manager Annual Reviews – <i>SamCERA</i>'s Core Equity Portfolios</p> <ul style="list-style-type: none"> <li>• BlackRock Capital Management, Inc. – Russell 1000 Index Fund</li> <li>• D.E. Shaw Investment Management – Large Cap Core</li> <li>• T Rowe Price Associates – Large Cap Core</li> <li>• Jennison Associates – Small Cap Core</li> </ul>
June 7, 2012	<p style="text-align: center;">Manager Annual Reviews – <i>SamCERA</i>'s Domestic &amp; International Equity Value Strategies</p> <ul style="list-style-type: none"> <li>• Barrow, Hanley, Mewhinney &amp; Strauss – Large Cap Value</li> <li>• The Boston Company – Small Cap Value</li> <li>• Mondrian Investment Partners – Select International Small Cap Plus</li> </ul>
July 12, 2012	<p style="text-align: center;">Manager Annual Reviews – <i>SamCERA</i>'s Domestic &amp; International Equity Growth Strategies</p> <ul style="list-style-type: none"> <li>• BlackRock Capital Management, Inc. – Large Cap Growth</li> <li>• Chartwell Investment Partners – Small Cap Growth</li> <li>• Baillie Gifford – International Core (The firm will not be requested to appear in 2012)</li> </ul>
August 9, 2012	<p style="text-align: center;">Manager Annual Reviews – <i>SamCERA</i>'s Core Bond Strategies</p> <ul style="list-style-type: none"> <li>• Aberdeen Asset Management – Core Bonds</li> <li>• Pyramis Global Advisors – Core Bond</li> <li>• Western Asset management – Core Plus Bonds</li> </ul>
September 13, 2012	<p style="text-align: center;">Manager Annual Reviews – <i>SamCERA</i>'s Bond Strategies</p> <ul style="list-style-type: none"> <li>• Angelo Gordon – PPIP</li> <li>• Brigade Capital Management – Credit opportunities</li> <li>• Brown Brothers Harriman – Treasury Inflation Protection Securities</li> </ul>
October 4, 2012	<p style="text-align: center;">Manager Annual Reviews – <i>SamCERA</i>'s Alternative Investment Strategies</p> <ul style="list-style-type: none"> <li>• AQR's Global Risk Premium – Risk Parity</li> <li>• AQR's Delta Fund – Hedge Fund</li> <li>• SSgA/SSARIS Multisource Commodities – Commodities</li> <li>• Invesco Core US Real Estate Fund – Real Estate Core Fund</li> </ul>
November 8, 2012	<p style="text-align: center;">Manager Annual Reviews – Private Equity Investments</p> <ul style="list-style-type: none"> <li>• Strategic Investment Solutions – Review of all private equity investments with some managers appearing</li> </ul>

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 6.7

To: Board of Retirement  
From:  Gary Clifton, Chief Investment Officer

Subject: Discussion and Approval of Alternative Investment Opportunity

STAFF RECOMMENDATION: Staff recommends that the Board of Retirement discuss and approve the alternative investment opportunity discussed at the board meeting.

Comment: Strategic Investment Solution's Faraz Shooshani will be present at the investment committee to review the investment opportunity and to answer the committee's questions. Distributed with this agenda item under a confidential cover are: (1) Strategic Investment Solution's Executive Summary, (2) the investment's private placement memorandum and (3) the investment's documentation.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 7.1

To: Board of Retirement



From: Chezelle Milan, Retirement Senior Accountant  
Mabel Wong, Finance Officer

Subject: Preliminary Monthly Financial Report for the Period Ending January 31, 2012

STAFF RECOMMENDATION: Staff recommends that the board review the attached preliminary financial statements.

COMMENT: The attached preliminary statements fairly represent *SamCERA's* Financial Statements.

**Statement of Fiduciary Net Assets**

*SamCERA's* Net Assets Held in Trust for Pension Benefits as of month end, totaled \$2,350,616,005.

**Statement of Changes in Fiduciary Net Assets**

Net assets held in trust for pension benefits increased by approximately \$69.7 million, month over month. The increase is primarily due to market appreciation in assets.

The following reports are attached to this agenda item:

Table of Contents	Page
Statement of Fiduciary Net Assets (Year to Year YTD Comparative)	2
Statement of Changes in Fiduciary Net Assets (Year to Year YTD Comparative)	3
Cash Flow Statements	4-5
Statement of Fiduciary Net Assets (YTD Monthly Comparative)	6
Statement of Changes in Fiduciary Net Assets (YTD Monthly Comparative)	7

**San Mateo County Employees' Retirement Association**  
**Statement of Fiduciary Net Assets - YTD Comparative**  
**January 2012**  
**PRELIMINARY**

	January 2012	January 2011
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	91,683,087	110,241,828
SECURITIES LENDING CASH COLLATERAL	125,826,436	143,011,092
<b>TOTAL CASH</b>	<b>217,509,523</b>	<b>253,252,920</b>
<b>RECEIVABLES</b>		
Contributions	0	0
Due from Broker for Investments Sold	169,358,278	215,265,978
Investment Income	4,540,984	4,241,556
Securities Lending Income	57,261	76,516
Other Receivable	113,812	113,236
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>174,070,334</b>	<b>219,697,286</b>
PREPAID EXPENSE	7,669	7,669
<b>INVESTMENTS AT FAIR VALUE</b>		
Domestic Fixed Income Securities	583,987,563	604,094,297
Domestic Equities	905,081,582	1,003,533,809
International Equities	352,942,057	424,542,713
Real Estate	142,552,672	122,302,877
Private Equities	12,020,736	250,000
Risk Parity	145,443,101	0
Hedge Funds	67,967,564	0
Commodities	68,801,601	0
Held for Securities Lending	0	0
Other Investment	0	0
	<b>2,278,796,876</b>	<b>2,154,723,697</b>
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>2,670,384,402</b>	<b>2,627,681,572</b>
<b>LIABILITIES</b>		
Investment Management Fees	2,201,199	2,548,592
Due to Broker for Investments Purchased	191,020,792	232,063,547
Collateral Payable for Securities Lending	125,826,436	143,011,092
Other	719,970	608,678
<b>TOTAL LIABILITIES</b>	<b>319,768,397</b>	<b>378,231,910</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,350,616,005</b>	<b>2,249,449,662</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - YTD Comparative**  
**January 2012**  
**Preliminary**

	January 2012	January 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	149,048,988	144,025,811	5,023,177
Employee Contribution	26,597,640	27,322,093	(724,453)
<b>TOTAL CONTRIBUTIONS</b>	<b>175,646,628</b>	<b>171,347,904</b>	<b>4,298,724</b>
INVESTMENT INCOME			
Interest and Dividends	28,253,184	20,834,157	7,419,028
Net Appreciation (Depreciation) in fair value of investments	(77,745,146)	325,861,517	(403,606,663)
Less Investment Expense	(9,626,344)	(6,767,664)	(2,858,680)
Less Asset Management Expense	0	(367,186)	367,186
<b>NET INVESTMENT INCOME</b>	<b>(59,118,305)</b>	<b>339,560,824</b>	<b>(398,679,129)</b>
SECURITIES LENDING INCOME			
Earnings	240,286	365,712	(125,426)
Less: Securities Lending Expenses	110,755	(95,080)	205,835
<b>NET SECURITIES LENDING INCOME</b>	<b>351,041</b>	<b>270,632</b>	<b>80,409</b>
OTHER ADDITIONS	1,768	54,266	(52,498)
<b>TOTAL ADDITIONS</b>	<b>116,881,131</b>	<b>511,233,625</b>	<b>(394,352,494)</b>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	70,007,084	65,582,704	4,424,380
Disability Retirement Allowance	8,877,001	8,386,331	490,670
Survivor, Death and Other Benefits	417,875	432,241	(14,366)
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>79,301,961</b>	<b>74,401,276</b>	<b>4,900,684</b>
REFUND OF MEMBER CONTRIBUTIONS	1,836,072	1,346,600	489,471
ADMINISTRATIVE EXPENSE	2,826,872	1,889,612	937,260
OTHER EXPENSE	76,050	42,930	33,121
<b>TOTAL DEDUCTIONS</b>	<b>84,040,955</b>	<b>77,680,419</b>	<b>6,360,536</b>
<b>NET INCREASE</b>	<b>32,840,176</b>	<b>433,553,207</b>	<b>(400,713,030)</b>
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,317,775,829	1,815,896,455	
End of Period	2,350,616,005	2,249,449,661	



San Mateo County Employees' Retirement Association  
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING SEVEN MONTHS  
 For the Month Ending January 31, 2012  
 PRELIMINARY

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	YTD
<b>ADDITIONS</b>							
<b>CONTRIBUTIONS</b>							
Employee Contribution	2,796,875	3,502,213	3,674,023	3,658,973	3,659,268	5,653,099	22,944,450
Employer Contributions - Regular	5,856,439	7,315,021	7,338,753	7,336,610	7,360,524	11,055,264	46,264,611
Employer Contributions - COLA	3,261,580	4,069,393	4,080,186	4,079,143	4,087,841	6,138,083	25,716,225
Employer Prefunded Contribution	60,704,948	(11,323,486)	(11,387,918)	(11,399,786)	(11,399,937)	61,841,085	77,035,498
<b>TOTAL CONTRIBUTIONS</b>	72,621,842	3,563,141	3,705,046	3,674,930	3,708,296	84,687,530	171,960,784
<b>INVESTMENT INCOME</b>							
Interest and Dividends	2,674,939	4,171,591	4,363,867	3,980,798	4,299,476	5,651,805	25,142,476
Net Appreciation (Depreciation) in fair value of investments	(16,965,881)	(110,856,042)	(135,778,761)	141,339,198	(28,574,223)	(2,336,682)	(153,172,391)
Other Additions	36,093	29,250	32,457	35,914	39,947	35,107	208,767
Other Investment Related Expense	(465,387)	(474,387)	(270,222)	(197,381)	(513,027)	(433,838)	0
Securities Lending Expense	3,410	(4,030)	17,788	3,166	26,387	35,196	81,918
<b>TOTAL ADDITIONS</b>	57,905,095	(103,570,478)	(127,929,824)	148,836,624	(21,013,145)	87,639,118	41,867,301
<b>DEDUCTIONS</b>							
<b>ASSOCIATION BENEFITS</b>							
Retiree Annuity	2,577,870	2,603,168	2,606,554	2,607,079	2,615,376	2,603,919	15,613,966
Retiree Pension	6,081,746	6,213,436	6,141,097	6,173,786	6,206,238	6,119,178	36,935,482
Retiree COLA	2,583,422	2,567,502	2,563,624	2,561,767	2,541,841	2,526,785	15,344,942
Retiree Death and Modified Work Benefit	3,579	3,579	3,579	3,579	3,579	3,579	21,475
Active Member Death Benefit	0	0	0	0	0	0	0
Voids and Reissue	0	0	0	0	0	0	0
<b>TOTAL ASSOCIATION BENEFITS</b>	11,246,618	11,387,685	11,314,854	11,346,211	11,367,035	11,253,462	67,915,865
<b>REFUND OF MEMBER CONTRIBUTIONS</b>	193,618	323,124	398,836	314,565	159,181	372,822	1,762,145
<b>ACTUARIAL FEES</b>	32,750	111,250	(2,500)	2,250	2,250	2,250	148,250
CONSULTANT FEES - INVESTMENT (SIS)	33,333	33,333	(2,500)	2,250	2,250	2,250	199,999
CONSULTANT FEES - STATE STREET	18,000	18,000	18,000	18,000	18,000	18,000	116,836
INVESTMENT MANAGEMENT FEE - R1000 INDEX	5,628	5,470	5,405	5,566	5,559	5,579	33,208
INVESTMENT MANAGEMENT FEE - ABERDEEN	27,574	23,680	25,719	24,813	24,776	25,000	151,563
INVESTMENT MANAGEMENT FEE - PYRAMIS	16,867	15,879	16,411	16,195	16,324	16,124	97,801
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	6,306	10,512	8,411	9,622	9,733	9,688	54,271
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	35,092	34,924	32,659	34,194	32,460	33,483	202,811
INVESTMENT MANAGEMENT FEE - CHARTWELL	36,804	31,200	30,945	34,590	34,942	34,942	203,867
INVESTMENT MANAGEMENT FEE - D E SHAW	46,529	42,946	41,605	44,717	44,797	45,259	265,853
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	31,601	29,143	28,311	30,810	30,634	30,986	181,485
INVESTMENT MANAGEMENT FEE - BLACKROCK	64,729	58,521	57,473	59,684	59,739	59,684	361,104
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	60,870	53,054	53,621	56,364	56,386	56,970	337,265
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	34,303	30,503	29,627	32,840	33,666	33,816	194,775
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	76,350	58,429	63,029	64,851	65,953	64,307	392,919
INVESTMENT MANAGEMENT FEE - MONDRIAN	32,441	30,065	28,417	35,043	29,484	29,561	185,011
INVESTMENT MANAGEMENT FEE - ARTIO	82,213	73,789	69,364	73,716	72,261	70,261	441,602
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	27,267	24,934	26,191	25,598	25,490	25,716	155,196
INVESTMENT MANAGEMENT FEE - WESTSCO CORE	51,937	51,937	51,937	55,082	52,723	37,440	301,056
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	0	0	0	150,000	0	0	150,000
INVESTMENT MANAGEMENT FEE - ABRV ADVANCED	0	0	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	48,540	50,082	48,785	46,317	48,177	47,590	289,491
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	58,322	57,531	57,531	55,371	56,948	56,948	342,511
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	26,087	25,200	23,529	24,114	23,444	23,093	145,466
<b>TOTAL PROFESSIONAL FEE</b>	853,543	870,856	747,804	934,345	785,707	760,086	4,952,341
<b>ADMIN EXPENSE - SALARIES &amp; BENEFITS</b>	151,218	238,478	239,549	240,481	243,659	362,097	1,473,481
<b>ADMIN EXPENSE - SERVICES &amp; SUPPLIES</b>	155,314	109,526	194,865	177,895	191,007	180,387	1,009,995
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	306,532	346,004	434,415	418,376	434,666	542,483	2,482,476
<b>INTEREST FOR PREPAID CONTRIBUTION</b>	0	0	0	0	0	1,502,700	1,502,700
<b>OTHER DEDUCTIONS</b>	31,671	13,151	3,037	9,973	17,966	10,837	86,636
<b>TOTAL DEDUCTIONS</b>	12,631,982	12,940,820	12,898,945	13,023,469	12,764,555	14,442,391	78,702,163
<b>NET INCREASE</b>	45,273,023	(116,511,298)	(140,828,770)	135,813,155	(33,777,699)	73,196,727	(36,834,862)

	December YTD 2011	January 2012	YTD
<b>ADDITIONS</b>			
CONTRIBUTIONS			
Employee Contribution	22,944,450	3,653,189	26,597,640
Employer Contributions - Regular	46,264,611	7,724,967	53,989,578
Employer Contributions - COLA	25,716,225	4,290,785	30,007,010
Employer Prefunded Contribution	77,035,498	(11,983,098)	65,052,400
<b>TOTAL CONTRIBUTIONS</b>	<b>171,960,784</b>	<b>3,685,843</b>	<b>175,646,628</b>
INVESTMENT INCOME			
Interest and Dividends	25,142,476	3,110,708	28,253,184
Net Appreciation (Depreciation) in fair value of investments	(153,172,391)	75,429,013	(77,743,378)
Securities Lending Income	208,767	31,519	240,286
Other Additions	0	0	0
Other Investment Related Expense	(2,354,254)	(25,736)	(2,379,990)
Securities Lending Expense	81,918	28,837	110,755
<b>TOTAL ADDITIONS</b>	<b>41,867,301</b>	<b>82,260,184</b>	<b>124,127,484</b>
<b>DEDUCTIONS</b>			
ASSOCIATION BENEFITS			
Retiree Annuity	15,613,966	2,635,642	18,249,608
Retiree Pension	36,935,482	6,222,540	43,158,022
Retiree COLA	15,344,942	2,524,335	17,869,277
Retiree Death and Modified Work Benefit	21,475	3,579	25,054
Active Member Death Benefit	0	0	0
Voids and Reissue	0	0	0
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>67,915,865</b>	<b>11,386,096</b>	<b>79,301,961</b>
REFUND OF MEMBER CONTRIBUTIONS	1,762,145	73,926	1,836,072
ACTUARIAL FEES	148,250	2,250	150,500
CONSULTANT FEES - INVESTMENT (SIS)	199,999	33,333	233,333
CUSTODIAN FEES - STATE STREET	116,836	(426)	116,411
INVESTMENT MANAGEMENT FEE - R1000 INDEX	33,208	6,391	39,599
INVESTMENT MANAGEMENT FEE - ABERDEEN	151,563	25,244	176,806
INVESTMENT MANAGEMENT FEE - PYRAMIS	97,801	16,386	114,186
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	54,271	9,924	64,195
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	202,811	34,480	237,290
INVESTMENT MANAGEMENT FEE - CHARTWELL	203,867	37,414	241,281
INVESTMENT MANAGEMENT FEE - D E SHAW	265,853	47,601	313,454
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	181,485	32,566	214,051
INVESTMENT MANAGEMENT FEE - BLACKROCK	361,104	62,331	423,435
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	337,265	58,507	395,773
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	194,775	36,246	231,021
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	392,919	68,021	460,940
INVESTMENT MANAGEMENT FEE - MONDRIAN	185,011	26,054	211,066
INVESTMENT MANAGEMENT FEE - ARTIO	441,602	73,046	514,649
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	155,196	25,457	180,653
INVESTMENT MANAGEMENT FEE - INVESCO CORE	301,066	68,007	369,062
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	150,000	0	150,000
INVESTMENT MANAGEMENT FEE - ABRYS ADVANCED	0	0	0
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	289,491	47,590	337,081
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	342,511	56,948	399,459
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	145,466	23,931	169,397
<b>TOTAL PROFESSIONAL FEE</b>	<b>4,952,341</b>	<b>791,312</b>	<b>5,743,653</b>
ADMIN EXPENSE - SALARIES & BENEFITS	1,473,481	261,951	1,735,432
ADMIN EXPENSE - SERVICES & SUPPLIES	1,008,995	82,446	1,091,440
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>2,482,476</b>	<b>344,397</b>	<b>2,826,872</b>
INTEREST FOR PREPAID CONTRIBUTION	1,502,700	0	1,502,700
OTHER DEDUCTIONS	86,636	(10,585)	76,050
<b>TOTAL DEDUCTIONS</b>	<b>78,702,163</b>	<b>12,585,145</b>	<b>91,287,308</b>
<b>NET INCREASE</b>	<b>(56,834,862)</b>	<b>69,675,038</b>	<b>32,840,176</b>

**San Mateo County Employees' Retirement Association  
Statement of Fiduciary Net Assets - Monthly Comparative  
For the Month Ending January 31, 2012**

	January 2012	December 2011	Increase/(Decrease)	% of Incr/Decr
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	91,683,087	147,869,454	(56,186,368)	-38.00%
SECURITIES LENDING CASH COLLATERAL	125,826,436	139,341,927	(13,515,491)	-9.70%
<b>TOTAL CASH</b>	<b>217,509,523</b>	<b>287,211,381</b>	<b>(69,701,858)</b>	<b>(0)</b>
<b>RECEIVABLES</b>				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	169,358,278	174,667,401	(5,309,123)	-3.04%
Investment Income	4,540,984	5,355,823	(814,839)	-15.21%
Securities Lending Income	57,261	63,238	(5,978)	-9.45%
Other Receivable	113,812	113,047	765	0.68%
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>174,070,334</b>	<b>180,199,509</b>	<b>(6,129,175)</b>	<b>-3.40%</b>
PREPAID EXPENSE	7,669	7,669	0	0.00%
<b>INVESTMENTS AT FAIR VALUE</b>				
Domestic Fixed Income Securities	583,987,563	568,432,553	15,555,010	2.74%
Domestic Equities	905,081,582	818,034,999	87,046,583	10.64%
International Equities	352,942,057	336,265,213	16,676,844	4.96%
Real Estate	142,552,672	138,282,516	4,270,156	3.09%
Private Equity	12,020,736	12,020,736	0	0.00%
Risk Parity	145,443,101	145,443,101	0	N/A
Hedge Funds	67,967,564	67,967,564	0	N/A
Commodities	68,801,601	65,911,934	2,889,667	4.38%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	<b>2,278,796,876</b>	<b>2,152,358,617</b>	<b>126,438,259</b>	<b>5.87%</b>
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>TOTAL ASSETS</b>	<b>2,670,384,402</b>	<b>2,619,777,176</b>	<b>50,607,226</b>	<b>1.93%</b>
<b>LIABILITIES</b>				
Investment Management Fees	2,201,199	2,457,524	(256,325)	-10.43%
Due to Broker for Investments Purchased	191,020,792	196,186,073	(5,165,281)	-2.63%
Collateral Payable for Securities Lending	125,826,436	139,341,927	(13,515,491)	-9.70%
Other	719,970	850,686	(130,716)	-15.37%
<b>TOTAL LIABILITIES</b>	<b>319,768,397</b>	<b>338,836,210</b>	<b>(19,067,813)</b>	<b>-5.63%</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,350,616,005</b>	<b>2,280,940,966</b>	<b>69,675,038</b>	<b>3.05%</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - Monthly Comparative**  
**For the Month Ending January 31, 2012**

	January 2012	December 2011	
<b>ADDITIONS</b>			
<b>CONTRIBUTIONS</b>			
Employer Contribution	149,048,988	149,016,334	32,654
Employee Contribution	26,597,640	22,944,450	3,653,189
<b>TOTAL CONTRIBUTIONS</b>	<u>175,646,628</u>	<u>171,960,784</u>	<u>3,685,843</u>
<b>INVESTMENT INCOME</b>			
Interest and Dividends	28,253,184	25,142,476	3,110,708
Net Appreciation (Depreciation) in fair value of investments	(77,745,146)	(153,174,147)	75,429,001
Less Investment Expense	(9,626,344)	(8,809,295)	(817,048)
Less Asset Management Expense	0	0	0
<b>NET INVESTMENT INCOME</b>	<u>(59,118,305)</u>	<u>(136,840,967)</u>	<u>77,722,661</u>
<b>SECURITIES LENDING INCOME</b>			
Earnings	240,286	208,767	31,519
Less: Securities Lending Expenses	110,755	81,918	28,837
<b>NET SECURITIES LENDING INCOME</b>	<u>351,041</u>	<u>290,685</u>	<u>60,356</u>
OTHER ADDITIONS	1,768	1,757	11
<b>TOTAL ADDITIONS</b>	<u>116,881,131</u>	<u>35,412,259</u>	<u>81,468,872</u>
<b>DEDUCTIONS</b>			
<b>ASSOCIATION BENEFITS</b>			
Service Retirement Allowance	70,007,084	59,966,204	10,040,881
Disability Retirement Allowance	8,877,001	7,590,911	1,286,090
Survivor, Death and Other Benefits	417,875	358,750	59,125
<b>TOTAL ASSOCIATION BENEFITS</b>	<u>79,301,961</u>	<u>67,915,865</u>	<u>11,386,096</u>
REFUND OF MEMBER CONTRIBUTIONS	1,836,072	1,762,145	73,926
ADMINISTRATIVE EXPENSE	2,826,872	2,482,476	344,397
OTHER EXPENSE	76,050	86,636	(10,585)
<b>TOTAL DEDUCTIONS</b>	<u>84,040,955</u>	<u>72,247,121</u>	<u>11,793,833</u>
<b>NET INCREASE</b>	<b>32,840,176</b>	<b>(36,834,862)</b>	<b>69,675,038</b>
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,280,940,966	2,317,775,829	
End of Period	2,350,616,005	2,280,940,966	

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 7.2

**TO:** Board of Retirement



**FROM:** Scott Hood, Acting Chief Executive Officer  
Tariq Ali, Chief Technology Officer

**SUBJECT:** Agreement to Provide Project Manager Services for *SamCERA's*  
Technology Modernization Project

**Staff Recommendation**

Authorize the Chair of the Board of Retirement to execute an agreement with L.R. Wechsler, Ltd. for technology modernization project manager services and authorize the Chief Executive Officer to execute subsequent amendments and minor modifications in an amount not to exceed \$50,000.

**Background**

*SamCERA* will soon be commencing a comprehensive system-wide project to overhaul and update its technology and business processes. The first phase of the project include: Business Process Reengineering; Data Cleansing; Enterprise Content Management; Staffing Study and the drafting of an RFP for Pension Administration Software System. The second phase will be oversight of Pension Administration Software System services project.

It is anticipated to be a multi-year project involving several contractors providing specific services and software systems. In order to assist *SamCERA* through this process, it was determined that a Project Manager be retained. *SamCERA* issued an RFP and L.R. Wechler, Ltd. (LRWL) was determined to provide services that best meets the needs of *SamCERA*. A contract has been negotiated and is almost in final form.

Under the proposed agreement, LRWL will assist *SamCERA* by advising, reviewing, facilitating, and guiding the project as whole to ensure that these new systems satisfy *SamCERA's* requirements and that the project is completed on time and within budget. LRWL will provide project planning, coordination, monitoring, and quality assurance, as needed throughout all project phases, and assist with creation and implementation of transition plans for new systems, and coordinate its effort for each project phase with

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

*SamCERA's* Chief Technology Officer. LRWL will provide the consultants who are highly experienced in each of the project areas.

The proposed contract provides that the total cost of the first phase of Project Manager services will not exceed \$600,000. Due to the nature and length of the Project, the resolution authorizes the Chief Executive Officer to execute subsequent amendments and minor modifications in an amount not to exceed \$50,000 in total. It further provides that at *SamCERA's* sole discretion, LRWL may also provide oversight of the Pension Administration Software Project. This determination will be made the Board at a future date.

**RESOLUTION AUTHORIZING THE CHAIR OF THE RETIREMENT BOARD TO  
EXECUTE AN AGREEMENT WITH L.R.WECHSLER, LTD. TO PROVIDE PROJECT  
MANAGER SERVICES FOR SAMCERA'S TECHNOLOGY MODERNIZATION  
PROJECT**

RESOLUTION 11-12-\_\_

**WHEREAS**, *SamCERA* will soon be commencing a comprehensive system-wide project to overhaul and update its technology and business processes; and

**WHEREAS**; In order to assist *SamCERA* through this process, Staff issued an Request For Proposal for project managers services and the Chief executive Officer has determined that L.R. Wechsler, Ltd. (LRWL) will provide services that best meets the needs of *SamCERA*; and

**WHEREAS**, the Board has determined that it is in the best interest of *SamCERA* to enter into an agreement with L.R. Wechsler and for the Chair of this board to execute an agreement for such services not to exceed \$600,000.00; and

**BE IT RESOLVED**, that the Chair of the Board of Retirement is hereby authorized and directed to execute said agreement with L.R. Wechsler, Ltd. to provide project manager services for *SamCERA*'s technology modernization project; and


**BE IT FURTHER RESOLVED**, that the Chief Executive Officer is hereby authorized and directed to execute subsequent amendments and minor modifications in an amount not to exceed \$50,000.

**San Mateo County Employees' Retirement Association  
Board of Retirement**

February 28, 2012

Agenda Item 7.3

To: Board of Retirement

From:   
Mabel Wong, Retirement Finance Officer

Subject: Approval of Audit Committee Plan for Fiscal Year 2012/2013.

STAFF RECOMMENDATION: Staff recommends that the board review, revise as required and adopt the Audit Committee Plan for fiscal year 2012 / 2013.

STAFF COMMENTS: The Board of Retirement is charged with periodic and systematic reviews of *SamCERA's* policies and procedures. The schedule below should reflect, in part, the audit committee's strategic objectives for the 2012 / 2013 fiscal year. Please review the schedule and provide comments and amendments as appropriate.

The Audit Committee, Ms. Kwan Lloyd, Chair; Ms. Arnott, Mr. Tashman and Mr. Spinello, may meet at other times as required during the fiscal year.

- |                    |   |
|--------------------|---|
| March 27, 2012     | 1) Consideration of Financial Audit Structure<br>2) Approval of Estimated Employer Contribution Amount for Fiscal Year 2012/2013  |
| May 22, 2012       | 1.) Review and Recommend of Assumptions for June 30, 2012, Actuarial Valuation.<br>2.) Acceptance of Entrance Letter for the June 30, 2012, Financial Audit.  |
| July 24, 2012      | 1.) Approval of Questions for the Annual Review of <i>SamCERA's</i> Actuarial Firm – Milliman Inc.<br>2.) Approval of Questions for the Annual Review of <i>SamCERA's</i> Audit Firm – Brown Armstrong  |
| September 25, 2012 | 1.) Acceptance of Actuarial Valuation Report<br>2.) Acceptance of 2012-2013 Fiscal Year Employer & Employee Contribution Rates<br>3.) Annual Review of <i>SamCERA's</i> Actuary – Milliman Inc.   |
| October 23, 2012   | 1.) Approve Auditor's Reports for June 30 <sup>th</sup> Financial Audit<br>2.) Approve Comprehensive Annual Financial Report<br>3.) Review of <i>SamCERA's</i> Internal Control Structure<br>4.) Annual Review of <i>SamCERA's</i> Independent Auditor  |
| March 26, 2013     | 1) Consideration of Financial Audit Structure<br>2) Approval of Estimated Employer Contribution Amount for Fiscal Year 2013/2014  |
| May 28, 2013       | 1.) Consideration and Adoption of Assumptions for June 30, 2013, Actuarial Valuation.<br>2.) Acceptance of Entrance Letter for the June 30, 2013, Financial Audit.<br>3.) Approval of Questions for the Annual Review of Legal Counsel - County Counsel |

The Audit Committee Charter is on the following page.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Audit Committee Charter as amended**

RESOLUTION 97-98-18

*THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), establishes a standing Audit Committee and defines its powers and duties*

WHEREAS, Section 17 of Article XVI of the Constitution of the State of California states that *the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for the investment of monies and administration of the system;* &

WHEREAS, SamCERA is governed by the provisions of the County Employees' Retirement Law of 1937 of which Government Code §31520 vests the management of the Association in the Board; &

WHEREAS, the Board has adopted Regulations and Resolutions setting forth the policies of the Board; &

WHEREAS, the Board bears full fiduciary responsibility for assuring that its policies are implemented in faithful compliance with all applicable provisions of Federal and State Law: &

WHEREAS, the Investment & Finance Manager has recommended that the Board establish an Audit Committee to conduct periodic and systematic reviews of *SamCERA's* policies and procedures. Therefore be it

RESOLVED that the Board hereby establishes a standing Audit Committee to perform the following functions:

1. SELECTION OF AUDITOR: The Committee shall select and recommend the Auditor to the Board, for Board approval of the contract;
2. SCOPE OF AUDIT: The Committee shall review, revise and approve the annual audit work plan submitted by the Auditor;
3. REVIEW OF AUDIT: The Committee shall monitor, review and comment on the work of the Auditor;
4. REVIEW OF INTERNAL CONTROLS: The Committee shall monitor the implementation of the Auditor's recommendations regarding *SamCERA's* Internal Controls;
5. REVIEW OF ACTUARIAL PROCESSES: The Committee shall monitor all aspects of the Actuarial process, other than those matters specifically delegated to the Investment Committee, and make recommendations to the Board as appropriate;
6. REVIEW OF BUDGET PROCESSES: The Committee shall monitor all aspects of the Budget process and make recommendations to the Board as appropriate;
7. REVIEW OF BOARD RESPONSIBILITIES: The Committee shall monitor the performance of the Board's Responsibilities set forth in the *Strategic Services Resolution* and make recommendations to the Board, as appropriate;
8. REVIEW OF BOARD SUPPORT SERVICES: The Committee shall monitor staff's performance of the Board Support Services set forth in the *Strategic Services Resolution* and make recommendations to the Board, as appropriate;
9. REVIEW OF MANAGEMENT SERVICES: The Committee shall monitor staff's implementation of the components of *SamCERA's* Management Services Plan set forth in the *Strategic Services Resolution*, with particular emphasis on matters related to *SamCERA's* Administrative Budget, Contract Management and Business Continuity (Disaster Recovery) Planning, and make recommendations to the Board, as appropriate; Be it further

RESOLVED that the Chair may appoint the members of the Audit Committee per Regulation 1.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate County and *SamCERA* resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations which the Audit Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, April 28, 1998

AMENDED by unanimous vote, May 22, 2001

AMENDED by unanimous vote, November 23, 2004

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 7.4

To: Board of Retirement



From: Mabel Wong, Finance Officer

Subject: Introduction of *SamCERA's Sources, Uses, and Budget Report* for Fiscal Year 2012/2013

COMMENT: Under this agenda item, staff will provide an oral report on the professional, administrative, and technology budget development process.

*SamCERA's* Education Policy authorizes the chair to approve the participation and associated travel for trustees, the Safety Member alternate, the Retired Member alternate, and the Chief Executive Officer in the educational activities of the organizations set forth in the *SamCERA* Education Policy, to the extent that the budget provides funds for such activities. The approved trustee requests will be used to budget the travel and educational expenditures in *SamCERA's* administrative budget.

The trustee educational preference form for 2012/2013 will be e-mailed on Thursday. If needed, hard copies will be available at the board. On the form, the other category may be used to write in a conference(s) or subscriptions that are not on the form. If you use the other category, for budgetary purposes estimate the cost of each item, including registration, airfare and lodging.



Please complete the request form to the best of your ability and return it to Ms. Wong by February 28, 2012.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

February 28, 2012

Agenda Item 7.5

To: Board of Retirement

From: Mabel Wong, Retirement Finance Officer  
Gary Clifton, Chief Investment Officer

Subject: Annual Review of *SamCERA's Mission and Goals Statements*

STAFF RECOMMENDATION: Staff recommends that the board review and reaffirm *SamCERA's Mission, Goals and Objectives* Resolution 95-96-05 as amended, by approving the attached resolution.

BACKGROUND: Resolution 95-96-05 as amended, incorporates the language, which was submitted to the board on April 14, 1994, as part of *SamCERA's* first independent budget. The resolution is an integral part of *SamCERA's Policies and Procedures Manual, Trustee's Manual, and Sources, Uses and Budget Report*, and *SamCERA's* Strategic Plan.

DISCUSSION: A statement of mission and goals should, at a minimum, capture the purpose of *SamCERA* as defined in the California State Constitution and the County Employees Retirement Law of 1937 ('37 Act); but more importantly, the statement should express the board's vision of the fundamental principles guiding board and staff actions. The resolution was amended on February 27, 2007, to correct the statement's grammar, spelling, and capitalization. It was amended on February 26, 2008, for clarity and to put phrases in the proper priority. It was last amended on January 27, 2009 when it was shortened to remove redundancies and define all categories of *SamCERA* membership as members.

Review of *SamCERA's* Mission and Goals Statements is an integral part of the staff strategic planning retreat and the board's budget process. This year there are no recommended amendments:

**Mission and Goals**  
RESOLUTION 95-96-05 as amended

*THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth SamCERA's Mission and Goals.*

**WHEREAS**, Article XVI, '17(a) of the Constitution of the State of California states in part that "the retirement board...shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system...;" &

**WHEREAS**, Article XVI, '17(b) of the Constitution of the State of California states in part that "the members of the retirement board...shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty...;" &

**WHEREAS**, Article XVI, '17(c) of the Constitution of the State of California states in part that "the members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims;" &

**WHEREAS**, Government Code '31520 vests the management of *SamCERA* in the Board; &

**WHEREAS**, the Board wishes to define its mission and goals so as to direct its efforts and the efforts of its staff in concert with the spirit of the law. Now, therefore, be it

**RESOLVED**, that the Board hereby adopts the following:

***Mission***

*SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.*

***GOALS***

*Provide caring, fair, accurate, timely and knowledgeable professional service to clients and the public.*

*Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to assure the ability to pay all earned benefits while minimizing the costs to its employers.*

*Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.*

Be it further

**RESOLVED**, that the Board hereby agrees, and directs the Chief Executive Officer, to adhere to the principles set forth herein in the management of the resources of the Association

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADOPTED by unanimous vote August 25, 1995

AMENDED February 26, 2002

AMENDED February 27, 2007

AMENDED February 26, 2008



AMENDED January 27, 2009

San Mateo County Employees' Retirement Association  
Board of Retirement

February 28, 2012

Agenda Item 7.6

To: Board of Retirement

From:   
Mabel Wong, Retirement Finance Officer  
Gary Clifton, Chief Investment Officer 

Subject: Annual Review and Reaffirmation of *SamCERA's Code of Fiduciary Conduct*

STAFF RECOMMENDATION: Staff recommends that the board review and reaffirm *SamCERA's Code of Fiduciary Conduct* Resolution 96-97-02 as amended February 23, 2010.

BACKGROUND: The Board's *Code of Fiduciary Conduct* is an integral component of board governance. The code memorializes the trustees' commitment to fulfill their fiduciary duties as defined by California's Constitution, the '37 Act & applicable law.

DISCUSSION: *SamCERA's Code of Fiduciary Conduct, Educational Policy, Travel Policy* and *Conflict of Interest Code* provide a comprehensive fiduciary framework for the proper conduct of *SamCERA's* affairs.

The board reviews its *Code of Fiduciary Conduct* along with its *Conflict of Interest Code* annually prior to completion of the Fair Political Practices Commission's Form 700, *Statement of Economic Interests*.

Resolution 96-97-02, containing the *Code of Fiduciary Conduct*, as amended on February 23, 2010, is attached.

# San Mateo County Employees' Retirement Association Board of Retirement

## CODE OF FIDUCIARY CONDUCT

RESOLUTION 96-97-02, as amended February 23, 2010

*This Resolution, adopted by the Board of Retirement (Board)  
of the San Mateo County Employees' Retirement Association (SamCERA),  
sets forth the Board's Code of Fiduciary Conduct.*

**WHEREAS** Article XVI, §17 of the Constitution of the State of California was amended by the electorate in 1992 to read, in pertinent part, as follows:

*Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:*

*(a) The retirement board shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.*

*(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.*

*(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.*

*(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.*

*(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the system ... ; &*

**RESOLVED** that the Board hereby adopts the following Code of Fiduciary Conduct:

### **PREAMBLE**

The San Mateo County Employees Retirement Association (*SamCERA*) is a public pension plan organized under the County Employees Retirement Law of 1937. (California Government Code Section 31450, et seq.)

The management of *SamCERA* is vested in the Board of Retirement.

Members of the Board hold positions of public trust. Article XVI, Section 17 of the California Constitution charges *SamCERA* Board members with the responsibility of administering the affairs of *SamCERA* "in a

manner that will assure prompt delivery of benefits and related services to *SamCERA*'s participants and their beneficiaries," and further mandates *SamCERA* Board members to "discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries."

The members of *SamCERA*'s Board are mindful of the positions of trust and confidence held by them. They adopt this Code to ensure the proper administration of *SamCERA*, and to foster unquestioned public confidence in *SamCERA*'s institutional integrity as a prudently managed and fiduciarily governed public pension system, operated for the sole and exclusive purpose of providing benefits to *SamCERA*'s participants and beneficiaries.

*SamCERA*'s *Code of Fiduciary Conduct*, *Educational Policy*, and *Conflict of Interest Code* provide a comprehensive fiduciary framework for the proper conduct of *SamCERA*'s affairs.

**1. Fiduciary Duty:**

Pursuant to Article XVI, Section 17 of the California Constitution, state statutes, and case law, the Board members are fiduciaries and have special duties to the system and its members, their survivors and beneficiaries.

A Board member's duty to its participants and their beneficiaries shall take precedence over any other duty. Board members must act exclusively in the interest of the participants and their beneficiaries, as opposed to the Board member's own interests or those of a third party. This duty includes the obligation to put aside the interests of the party responsible for a Board member's appointment. It also includes the duty to be impartial towards differing interests of participants.

**2. Adherence to *SamCERA*'s Investment Policy:**

Board members shall not authorize the making of any investment which is not contemplated in *SamCERA's Investment Policy*. *SamCERA's Investment Policy* may be amended at any properly noticed meeting of the Board, but only after considering the recommendations and comments of the Chief Executive Officer, Consultants and Investment Managers, which shall be promptly submitted upon request of the trustees.

**3. Investment Authority:**

The investment authority vested in the Board shall not be delegated to any committees of the Board, except by formal resolution. Such resolutions shall specify the limits of the authority delegated and require that all actions be reported to the Board for approval.

**4. Investment Signature Authority:**

Investment Signature Authority shall be limited to individuals identified by formal resolution which shall specify the limits of the authority delegated and require that all actions be reported to the Board for ratification.

**5. Due Diligence Mandatory:**

Due diligence shall be completed prior to the execution of any Board-initiated investment transaction. Due diligence will be performed in accordance with established guidelines and procedures by persons with expertise relevant to the transaction under evaluation.

**6. Adherence to Related Laws:**

Board members are responsible for conducting public business for *SamCERA* and are subject to all provisions of the Ralph M. Brown Act, California Government Code §54950 et seq., which Act mandates open meetings for local legislative bodies.

Board members conducting public business for *SamCERA* are subject to applicable California laws regarding conflicts of interests. Board members shall avoid impropriety and the appearance of impropriety, and shall not use their position to further their own pecuniary gain or for any other purpose not directly related to the duties of their Board position.



In accordance with state law, Board member shall refrain from attempting in any way to influence a *SamCERA* decision in which the Board member has a financial interest.

Board members shall not engage in any employment, activity, or enterprise for compensation which is inconsistent, incompatible, in conflict with, or inimical to their duties as members of *SamCERA's* Board, or with the duties, functions, or responsibilities of the *SamCERA* Board as a whole.

**7. Limitation on the Acceptance of Gifts:**

Board members shall comply with the gift limitation as set forth in state laws and regulations. The gift limit effective January 1, 2011 - December 31, 2012 is \$420. Board members employees designated on *SamCERA's* Conflict of Interest Code employees are prohibited from receiving a gift or gifts totaling more than \$420 in a calendar year.

**8. Prohibition on Acceptance of Honoraria:**

Board members shall refrain from accepting any honoraria. An honorarium is a payment received for making a speech, publishing an article, or attending any public or private conference, convention, meeting, social event, meal or similar gathering, unless the payment is income earned from a bona fide business or profession.

**9. Public Disclosure of Economic Interests:**

Board members shall comply with the disclosure of economic interests and related filing requirements as set forth in the Political Reform Act and the regulations promulgated thereunder.

**10. Communications with Service Providers and Other Non-SamCERA Persons and Entities:**

Board members shall not correspond with a non-*SamCERA* person or entity using *SamCERA* letterhead unless the communication is authorized by the Board. Copies of all written communications from a Board member to a current service provider, or person or entity related to a current service provider, relating to *SamCERA's* business (other than purely personal or social correspondence) shall be provided to the Chief Executive Officer for subsequent distribution to all members of the Board.

A copy of any written communication (other than purely personal or social correspondence, routine announcements, generally distributed newsletters, and the like) received by a Board member from a current *SamCERA* service provider, or person or entity related to a current service provider, shall be forwarded to the Chief Executive Officer for subsequent distribution to all members of the Board.

**11. Training on Laws Related to Ethics and this Code of Conduct:**

Board members shall receive periodic training on ethics principles and laws. This training shall cover ethics laws, and include, but not be limited to: laws relating to personal financial gain by public servants, including laws prohibiting conflicts of interest and bribery; laws relating to claiming prerequisites of office such as gifts and travel, use of public resources or gifts of public funds, mass mailing restrictions, and prohibitions on the receipt of free or discounted transportation; government transparency laws such as financial interest disclosure requirements, the Brown Act, and the Public Records Act; and laws relating to fair processes including those covering bias, due process, incompatible offices, competitive bidding, and nepotism.

ADOPTED by unanimous vote August 25, 1995

AMENDED July 27, 2004

AMENDED February 24, 2009

AMENDED February 23, 2010

San Mateo County Employees' Retirement Association  
Board of Retirement

February 28, 2012

Agenda Item 7.7

To: Board of Retirement

From: Mabel Wong, Retirement Finance Officer  
Gary Clifton, Chief Investment Officer

Subject: Annual Review & Approval of Amendments to *SamCERA's Conflict of Interest Code*

RECOMMENDATION: Staff recommends that the board review and approve the amendments to the *Conflict of Interest Code*, Resolution, 98-99-15.

BACKGROUND: The Political Reform Act declares that public officials, whether elected or appointed, are required to perform their duties in an impartial manner, free from bias caused by their own financial interests or the financial interests of persons who support them. Government Code §87300 mandates that California political subdivisions and independent public agencies adopt conflict of interest codes.

There are two types of filers for FPPC Form 700 Statements of Economic Interest: Government Code §87100 filers and Government Code §87200 filers. Officials "who manage public investments" are §87200 filers and are required to file statements of economic interests under Chapter 7, Article 2, of the Act. (Sections 87200-87210.) Public officials "who manage public investments" include those "[m]embers of boards and commissions, including pension and retirement boards and commissions, or committees thereof, who exercise responsibility for the management of public investments." (California Code of Regulations §18701(b)(1)(A).)

The Fair Political Practices Commission has opined that "consultants" include "investment consultant and investment management firm employees and principals ... who provide services to [SamCERA] ... with influence over the investment decisions pertaining to the [retirement fund] ... in positions that involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest ... are required to file financial disclosure statements for ... investments in and income from, business entities which are or may foreseeably be invested in by [SamCERA] and investments in, and income from, persons or business entities engaged in buying and selling securities for the account of [SamCERA]."

DISCUSSION: March 2010, the board amended the code, which changed the disclosure requirements for the Trustees, the Chief Executive Officer and Chief Investment Officer. State and local officials who are listed in Government Code §87200, are prohibited from accepting a gift or gifts totaling more than \$420 (adjusted every other year) in a calendar year from **any** single source unless an exception applies such as gifts from family members. This is contrasted to designated filers, in which the \$420 (adjusted every other year) gift limit prohibition is applicable only to sources of income that would otherwise be required to report on the statement of economic interests.

September 2011, the board amended the code, which set a standard under which the staff will determine and notify investment management firms of *SamCERA's* form 700 filing requirements.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Conflict of Interest Code**

RESOLUTION 98-99-15, as amended

*THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), amends SamCERA's Conflict of Interest Code and provides for its implementation.*

**WHEREAS**, the board has adopted a Code of Fiduciary Conduct which requires among other things, that Trustees, the Chief Executive Officer, Consultants, Investment Managers and other professionals retained by the board and *SamCERA* staff shall comply with the provisions of the California Constitution; the Political Reform Act of 1974, as amended...and all other laws pertinent to the conduct of public pension fund fiduciaries; and

**WHEREAS**, Government Code §87300 mandates the adoption of a Conflict of Interest Code by independent public agencies; and

**WHEREAS**, the board, by Resolution 96-97-03, adopted the Conflict of Interest Code provisions of the California Fair Political Practices Commission (FPPC) Regulation 18730; and

**WHEREAS**, Government Code §87306.5 mandates that the board review its designation of employees and disclosure categories from time to time. Therefore, be it

**RESOLVED** that the board hereby instructs the Chief Executive Officer to provide annual disclosure Form 700s to all trustees and all individuals in the *Designated Positions*. Each individual receiving said form must file the original Form 700 with the Chief Executive Officer who must make and retain a copy and forward the original to the County Clerk. Form 700 must be filed at the times and on the forms prescribed by law. Failure to file statements on time may result in penalties, including but not limited to late fines. Be it further

**RESOLVED** that the board hereby instructs the Chief Executive Officer to implement a program to provide reasonable assurance that foreseeable potential conflict of interest situations will be disclosed and prevented and to provide each affected person with a clear and specific statement of his or her duties under the Conflict of Interest Code. Be it further

**RESOLVED** that the board hereby instructs the Chief Executive Officer to supply the necessary forms and manuals, to monitor timely and complete filing compliance, to take action regarding late filings and to report apparent violations of the Conflict of Interest Code to the Board.

**RESOLVED** that the board hereby redefines *SamCERA's* List of Designated Individuals and Disclosure Categories per FPPC Regulation 18730, to read as follows:

DESCRIPTION OF FINANCIAL DISCLOSURE CATEGORIES

**Category 1:** Persons in this category shall disclose all interest in real property within the boundaries of the County of San Mateo or within two miles outside the boundaries of the County of San Mateo and property located within two miles of any land owned or used by *SamCERA*. Persons are not required to disclose property, such as a home or vacation cabin, used exclusively as a personal residence.

**Category 2:** Persons in this category shall disclose all business positions, investments in, or income (including gifts and loans) received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by *SamCERA*.

**Category 3:** Persons in this category shall disclose all business positions and investments in business entities that are the type in which *SamCERA*'s trust funds may be invested (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

**Category 4:** Persons in this category are those investment consultants have been determined by the Chief Executive Officer to have a requirement to file and such consultant shall disclose all business positions and investments in business entities that are the type in which, under the terms of that consultant's agreement with *SamCERA*, *SamCERA*'s trust funds may be invested by that consultant's employer (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

ADOPTED by unanimous vote, February 23, 1999  
AMENDED by unanimous vote, February 22, 2000  
AMENDED by unanimous vote, February 27, 2001  
AMENDED by unanimous vote, February 26, 2002  
AMENDED by unanimous vote, March 25, 2003  
AMENDED by unanimous vote, February 22, 2005  
AMENDED by unanimous vote, January 24, 2006  
AMENDED by unanimous vote, February 26, 2008  
AMENDED by unanimous vote, July 28, 2009  
AMENDED by unanimous vote, March 2010  
AMENDED by unanimous vote, September 2011

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 7.8

To: Board of Retirement

From: Mabel Wong, Retirement Finance Officer   
Gary Clifton, Chief Investment Officer 

Subject: Annual Review of *SamCERA's* Strategic Services Resolution

STAFF RECOMMENDATION: Staff recommends that the board review and reaffirm the attached Strategic Services Resolution 95-96-06, as amended on March 22, 2005.

BACKGROUND: Resolution 95-96-06, as amended, incorporates the language, which was submitted to the board on April 14, 1994, as part of *SamCERA's* first independent budget. The resolution flows from the Mission & Goals Resolution and is an integral part of *SamCERA's Policies and Procedures Manual* and annual budget process. It also defines the program structure of *SamCERA's* budget.

DISCUSSION: The statement of strategic services should, at a minimum, categorize the broad range of services provided by the association and differentiate between the duties of the board and the duties of staff. Unless amended, the resolution as it appears will be incorporated into *SamCERA's Sources, Uses and Budget Report* for the fiscal year 2012-2013.

Resolution 95-96-06, as amended on March 22, 2005, is attached.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Strategic Services**

RESOLUTION 95-96-06 as amended

*THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Board's Responsibilities & Strategic Staff Services.*

**WHEREAS**, Government Code 31520 vests the management of *SamCERA* in the Board; &

**WHEREAS**, Resolution 95-96-05 defines the Board's mission and goals; &

**WHEREAS**, the Board wishes to direct its efforts and the efforts of its staff in concert with the spirit of the law and the Board's Mission and Goals. Now, therefore, be it

**RESOLVED**, that the Board hereby adopts the following:

**BOARD RESPONSIBILITIES**

- Determine Eligibility for Benefits & Provide for the Disbursement of those Benefits
- Provide for the Investment & Safekeeping of Retirement Fund Assets
- Assure the Actuarial Soundness of the System
- Establish & Arrange for the Collection of Contributions
- Manage the Association & System in accordance with the Law
- Define Fiduciary & Ministerial Responsibilities and Effectively Delegate them to Designated Fiduciaries
- Select & Monitor the Performance of Designated Fiduciaries, including but not limited to chief executive officer, investment managers, consultants and other advisors
- Approve & Monitor Policies, Internal Controls & Audit Programs

**STRATEGIC STAFF SERVICES**

**MEMBER BENEFIT & ACTUARIAL SERVICES**

- Implement the Benefit Services Plan, including individual member counseling
- Establish Eligibility & Process Applications for Membership & Benefits
- Provide for & Monitor Payment of Benefits & Refunds
- Accurately Maintain & Monitor Member & Benefit Databases
- Provide Timely, Accurate & Useful Services, Reports & Recommendations for Members, Retirees, Beneficiaries & the Board

**INVESTMENT MANAGEMENT SERVICES**

- Implement the Investment Plan
- Monitor Manager & Custodial Activity
- Project & Monitor Retirement Fund Cash Flows
- Provide Timely, Accurate & Useful Reports & Recommendations to the Board

**BOARD SUPPORT SERVICES**

- Faithfully Execute the Duties & Responsibilities Delegated by the Board
- Support the Board in its execution of its Powers & Duties
- Provide Timely, Accurate & Useful Information & Recommendations to the Board
- Direct the Benefits, Investments & Management Services Programs
- Provide Member Education, Public Information & Inter-Agency Services
- Propose, Implement & Monitor Internal Control Systems

**MANAGEMENT SERVICES**

- Implement the Management Services Plan, including Human Resources, Information Systems, Fiscal, Accounting, Analytical, Facilities & Support Services
- Manage Contracts
- Maintain liaison with providers of County support services
- Direct Catastrophe Recovery Planning

Be it further

**RESOLVED**, that the Board hereby expresses its intent to review annually the responsibilities and strategic services set forth herein.

ADOPTED by unanimous vote August 25, 1995

AMENDED by unanimous vote September 19, 1996

AMENDED by unanimous vote February 26, 2002


AMENDED by unanimous vote March 22, 2005

San Mateo County Employees' Retirement Association  
Board of Retirement

February 28, 2012

Agenda Item 7.9

To: Board of Retirement

From:  Mabel Wong, Retirement Finance Officer  
Gary Clifton, Chief Investment Officer



Subject: Annual Review & Reaffirmation of Internal Controls Policy

STAFF RECOMMENDATION: Staff recommends that the board review and reaffirm the attached Internal Controls – Disbursements from the Retirement Fund Resolution 95-96-16, as amended on April 22, 2003.

BACKGROUND: Government Code §31520 vests management of the association in the Board of Retirement. Pursuant to Government Code §31522.2 the board appointed the Administrator as Chief Executive Officer. In April 1994, the board adopted its Delegation of Authority to the Chief Executive Officer. In that delegation, the board reserved unto itself all powers regarding the approval of the system of internal controls.

The delegation, in pertinent part, provided the following instructions to the CEO:

The board hereby retains all powers (UNDELEGATED POWERS) regarding the approval of Investment Policy & Plan, Benefits Policy & Plan, Disability Benefit Applications, Contribution Rates, the Budget, the system of Internal Controls, the conduct of board business & contracts with non-governmental entities; as well as the selection of investment managers, master custodians, legal counsel, actuaries, consultants & auditors...

The board hereby DELEGATES the following powers & duties to the Chief Executive Officer: ...

- 1.1 The Chief Executive Officer shall provide the Board with his independent analysis & timely recommendations on issues & proposals pertaining to the UNDELEGATED POWERS.
- 1.2 The Chief Executive Officer shall provide support for the CONDUCT OF BOARD BUSINESS.
- 1.3 The Chief Executive Officer may, in writing, delegate any of the delegated powers & duties to designated employees of the Association, so long as he first obtains the approval of the Board & so long as he remains accountable for the acts of the designated employee.
- 1.4 The Chief Executive Officer shall prudently exercise delegated signature authority, as provided for in a separate resolution, except that he is hereby authorized to sign on the Board's behalf in matters between the Association & the County.

The delegation empowers the CEO to disburse benefits, refunds and budgeted expenditures. The board budgets administrative expenses through resolution and professional expenses through executed agreements. The CEO executes those budgets, but Resolution 95-96-16 expressly prohibits him from performing the functions required to prepare supporting documentation or the transactions to initiate disbursements. County policy allows another level of internal control. The Auditor-Controller is required to review and authorize the board's budgeted expenditures. Resolution 95-96-16 requires the Controller's signature on all disbursements.

DISCUSSION: In staff's opinion, there are no matters in *SamCERA's* disbursement process that may be considered to be material weaknesses. The internal controls governing the disbursement of monies from the San Mateo County Employees' Retirement Association assure separation of duties.

This year staff proposes an amendment to the resolution. The amendment transfers the responsibilities of the Chief Investment Officer to the Retirement Finance Officer.

Resolution 95-96-16, as amended April 22, 2003, is attached.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Internal Controls - Disbursements from the Retirement Fund**  
RESOLUTION 95-96-16, as amended

*THIS RESOLUTION, adopted by the Board of Retirement (Board)  
of the San Mateo County Employees' Retirement Association (SamCERA),  
adopts Internal Controls for the disbursement of monies from the Retirement Fund.*

**WHEREAS**, Government Code §31520 vests the management of the Association in the Board; and §31525 empowers the Board to adopt regulations; and

**WHEREAS**, Government Code §31590 provides specific guidance for disbursements from the Retirement Fund; and

**WHEREAS**, Section 17 of Article XVI of the Constitution of the State of California states that *the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for the...administration of the system*; and

**WHEREAS**, The board has appointed a Chief Executive Officer pursuant to Government Code §31522.2 & has resolved to delegate specific powers and duties to the Chief Executive Officer, including the duty to provide for an effective system of internal controls; and

**WHEREAS**, The Chief Executive Officer has recommended the following controls to help assure that the assets of the Fund cannot be compromised. Therefore be it

**RESOLVED** that the Chief Executive Officer will implement the following internal controls for the disbursement of moneys from the retirement fund.

1. The retirement payroll checks shall bear the signature of the County Controller. The board delegates safekeeping of the retirement payroll check stock to the County Controller.
2. Changes to the retirement payroll may only be performed by designated retirement staff.
3. *SamCERA* shall utilize the accounts payable system of the County Controller for operational expenditures. The accounts payable checks are from the Controller's check stock and shall bear the signature of the County Controller.
4. Preparation and approval of operational expense documents & transactions may only be performed as referred to below.
5. All other checks drawn on the retirement fund shall bear the signature of the Chief Executive Officer or a staff member he has delegated and the facsimile signature of the Board Secretary & County Controller in accordance with Government Code §31590 & Board Resolution 95-96-15.
6. The board delegates safekeeping of the blank check stock to the ~~Chief Investment Officer~~Retirement Finance Officer. The Chief Investment Officer is hereby prohibited from initiating or granting final approval for retirement disbursements via check stock. Blank check stock shall not be released to a staff member authorized to approve disbursements. The Chief Investment Officer shall maintain a log, which documents inventory released, date, amount, stated intent of the disbursement and require a signature or initial from the staff member receiving the blank stock.
7. The County Controller shall not honor any journal entries, claims, purchase orders, transmittals, appropriation transfer requests, or other charges against the retirement fund without the written or electronic approval of the Chief Executive Officer or, in his absence, his designee.

RESOLUTION 95-96-16, as amended

page 2

8. The Treasurer shall not honor any claims, transmittals, or other charges against the retirement fund without the approval of the Chief Executive Officer or, in his absence, his designee.

9. The Chief Executive Officer's or, in his absence, his designee's approval shall be evidenced by his signature



or initials on the document initiating the transaction. The document may be any standard form, including, but not limited to, a register authorizing electronic funds transfers.

10. Pursuant to his Delegation of Authority, the Chief Executive Officer shall delegate to staff the task of preparing the documents & transactions referred to above, and shall supervise & audit staff's work.

11. Pursuant to his Delegation of Authority, the Chief Executive Officer shall delegate to the County Controller the task of reconciling the bank statement to *SamCERA's* general ledger. The Controller shall provide *SamCERA* with a timely outstanding checks reconciliation report. *SamCERA's* staff shall promptly resolve any discrepancies. The ~~Chief Investment Officer~~ Retirement Finance officer shall supervise & audit the bank reconciliation process.

12. The Chief Executive Officer and his designee are hereby prohibited from having access to check stock or performing the functions required to prepare any and all documents and transactions which allow disbursement of moneys from the retirement fund, but shall audit the work of others prior to granting approval. Document approval is specified in number 9 above. Check approval from the blank stock will be further evidenced by the appropriate signature and affixing the facsimile signature of the Board Secretary prior to forwarding it to the County Controller for his signature.

13. The board delegates safekeeping of the Board Secretary's facsimile signature to the Chief Executive Officer.

14. The Chief Executive Officer may delegate disbursement approval and check signing authority to one employee of the association, who may act only in the absence of the Chief Executive Officer. That employee is prohibited from having access to the blank check stock. In acting for the Chief Executive Officer the employee agrees to all responsibilities and prohibitions stated above.

15. Pursuant to his Delegation of Authority, the Chief Executive Officer shall report to the board regularly on matters of significance related to the Association's Internal Controls.

ADOPTED by unanimous vote, February 22, 1996

AMENDED, by unanimous vote, March 28, 1996

AMENDED, by unanimous vote, March 27, 2001

AMENDED by unanimous vote, May 28, 2002

AMENDED by unanimous vote, April 22, 2003

## **SAMCERA'S RISK IDENTIFICATIONS**

### **I. CONTRIBUTIONS RECEIVED AND RECEIVABLE** **(INCLUDING EMPLOYER AND EMPLOYEE CONTRIBUTIONS)**

#### **CONTROL OBJECTIVES**

1. Employer and employee contributions are recorded timely and accurately as to account, amount, and period.
2. Employee contributions are properly applied to participant accounts.
3. Employer contributions are calculated in accordance with the plan document.
4. Employer and employee contributions comply with Department of Labor or other requirements.
5. Past due contributions are properly investigated.

#### **COMMON CONTROL PROCEDURES**

1. Is there documentation of the basis for determining the employer contribution in the plan instrument or collective bargaining agreement?
2. Is an actuary used to determine the contribution for a defined benefit retirement plan; a target benefit plan or money purchase plan; or a health and welfare benefit plan, if appropriate?
3. Are approved eligibility lists used to determine, the contribution?
4. Are employer payroll records compared with contribution calculations?
5. Are control totals established over employer and employee contributions?
6. Are employee contributions posted to individual participant account records?
7. Are recorded contributions periodically reconciled to:
  - a. Actuary Reports?
  - b. Trustee's or third-party administrator's reports of contributions received?
  - c. Employer payroll records?
  - d. Individual participant accounts?

8. Are there procedures for determining that contributions (employer, employee, elective deferrals, etc.) to defined contribution retirement plans do not exceed the annual limitation?
9. Are there procedures for determining that employee contributions withheld by the employer(s) are remitted to and received by the plan on a timely basis in accordance with DOL Regulations?
10. Are past due contributions receivable investigated?
11. If cash contributions are sent to the plan rather than directly to a bank, trustee, or third-party administrator, see PCX-8e on Cash.
12. Are employees with contribution responsibilities required to take vacation, and are other employees required to perform those functions when an employee is absent?
13. Is access to computerized contribution records limited to those with a logical need for such access?

#### **Questions related to Multiemployer Plans**

14. Are preprinted, prenumbered employer contribution reports used?
  - a. Do the reports allow for the identification of employer and employee contributions?
  - b. Do the reports allow for the determination of the period to which then employer and employee contributions relate?
15. Is control established over employer contribution reports as they are received and maintained throughout processing. for example, by accounting for the sequence of report numbers or by a dollar control total?
  - a. Are missing contribution reports investigated?
16. Are employer contribution reports checked for accuracy of the contribution rate, hours worked, period to which the contribution relates, extensions and footings, and social security numbers?
  - a. Are errors or discrepancies investigated?
17. Are periodic audits made of employers' payroll records?
18. If union dues are included in contribution remittances, are they promptly remitted to the union?

## **II. INVESTMENTS**

### **CONTROL OBJECTIVES**

1. All investment transactions, including participant loans, are authorized, properly documented, and comply with the plan's provisions.
2. All investment transactions are properly recorded in detail records and accumulated, classified, and summarized in control accounts.
3. All investment transactions, including investment income and expenses, are recorded timely and accurately as to account, amount, and period.
4. All investments and insurance contracts are properly valued and classified.
5. Insurance companies are able to fulfill their contract obligations.
6. Physical loss of securities and other investments evidenced by certificates is prevented or accounted for on a timely basis.

### **COMMON CONTROL PROCEDURES**

1. Does the plan instrument or minutes of the administrative or investment committee or board of trustees document the following:
  - a. Investment policies and objectives?
  - b. Authority to execute investment transactions?
  - c. Types and terms of investment and insurance contracts?
2. If plan investments are administered under a discretionary trust agreement, has the administrative or investment committee or board of trustees approved the agreement with the trustee and documented approval in its minutes?
3. Does the administrative or investment committee or board of trustees review investment transactions, balances, and reports from trustees for adherence to:
  - a. Investment policies and objectives of the plan instrument or administrative or investment committee?
  - b. ERISA investment limitations and diversification requirements?
4. Are investment transactions and balances either recorded in a subsidiary ledger or supported by detailed reports from a trustee?
  - a. Are detailed subsidiary ledgers maintained and reconciled to control accounts and brokers' statements?
  - b. Are the reconciliations between the detail subsidiary ledgers and the control accounts prepared and reviewed by the plan administrator or other appropriate person?

- c. Are investment securities periodically counted or confirmed and reconciled to the detail subsidiary ledgers?
  - d. Are reconciliations of physical counts or confirmations to detail subsidiary ledgers reviewed by the plan administrator or other appropriate person?
5. Are reliable sources (such as published dividend and interest listings, leases, mortgage and loan agreements, insurance contracts, etc.) checked to determine that all investment income (dividends, interest, rents, etc.) has been received and is accurate?
  6. If a significant amount of investment income is received by the plan rather than being sent directly to a bank, trustee, servicing agent, etc., see PCX-8e on Cash.
  7. Are investment commissions, management fees, real estate maintenance and property taxes, insurance premiums, etc., reviewed for reasonableness and adherence to contractual terms?
  8. Are investment valuation methods documented in trust agreements or minutes of the administrative or investment committee or board of trustees?
  9. If investment valuations include "good faith" valuations of securities that do not have a market price:
    - a. Is the basis for the valuations documented in appraisal reports or minutes of the administrative or investment committee or board of trustees?
    - b. Is approval of the valuation documented in minutes of the administrative or investment committee or board of trustees?
  10. Are recorded investment valuations compared with market quotations or appraisal reports?
  11. Does the plan administrator or other appropriate person periodically assess whether any of the investments are permanently impaired and adjust the carrying amounts of the impaired securities accordingly?
    - a. Are write-downs and other adjustments approved by the plan administrator or other appropriate individual?
    - b. Is there periodic review of investments that have been written off for possible appreciation?
  12. Are there procedures for identifying investment transactions that require disclosure, for example, party-in-interest transactions and reportable transactions (transactions, or a series of transactions, exceeding 5% of the current value of plan assets)?
  13. Is the custodial function separate from the responsibility for investment decisions, transactions, and recordkeeping?

14. Are the reputation, integrity, and financial capability of financial institutions or other custodians holding investment securities or with which the plan has trust agreements or insurance or investment contracts periodically reviewed, including review of financial statements, reports of the institution's independent auditor, rating bureau reports, etc.?
  - a. Are there procedures for identifying changes in recorded values in light of current conditions related to the financial institutions?
15. Are investment documents such as stock certificates, bonds, leases, deeds, mortgage and loan agreements, insurance contracts, etc., kept in a safe place to which there is limited access?
16. Are securities and other investment documents that are held by custodians or depositories periodically inspected or confirmed and compared to recorded amounts?
17. If the plan invests in derivative financial instruments, has the plan fiduciary or investment committee established procedures for obtaining timely market value information on the derivatives and analyzing their results?
18. Does plan management monitor agreements to determine that embedded derivatives are identified and properly accounted for?
19. Are employees with investment responsibilities required to take vacations, and are other employees required to perform those functions when an employee is absent?
20. Is access to computerized investment records limited to those with a logical need for such access?

#### **Additional Questions for Investment Management Agreements**

21. Are modifications of investment contract terms approved by the administrative or investment committee or board of trustees, with approval documented in its minutes?

### **III. CASH**

#### **CONTROL OBJECTIVES**

1. Cash receipts are recorded accurately as to account, amount, and period.
2. Cash disbursements are recorded accurately as to account, amount, and period.
3. Cash disbursements are made for authorized and received goods and services and authorized benefit payments.

#### **COMMON CONTROL PROCEDURES**

##### **Cash Receipts**

1. Are cash receipts controlled upon receipt, such as by prelisting by someone with no access to cash records?
  - a. Is the list later compared to the bank deposit and cash receipts records by someone with no access to cash?
2. Are preprinted, prenumbered cash receipt forms used?
  - a. Are the forms used in numerical sequence and the sequence accounted for?
3. Are checks restrictively endorsed (e.g., for deposit only) upon receipt?
4. Is cash deposited intact and promptly?
5. Are contribution forms and other remittance advices (for example, loan payment forms, interest and dividend statements, rent forms, etc.) that accompany cash received reconciled to cash receipts ledgers and bank deposits?
6. Are cash receipts handled by persons other than those who process contributions?

##### **Cash Disbursements**

7. Are bank accounts that are maintained independent of a trust or insurance agreement, and check signers related to such accounts, approved by the administrative or investment committee or board of trustees?
8. Are checks and purchase orders prenumbered, used in sequence, the sequence accounted for, and unissued checks and purchase orders controlled?
9. Are blank checks stored in a secure place to which access is limited to authorized persons?

10. Is the check signer independent of the initiator, approver, and processor of the disbursement, investment purchase, benefit payment, etc.?
  - a. Are checks signed when needed (that is, not signed in advance)?
  - b. Is counter-signature required for amounts over a predetermined cutoff?
  - c. Are checks not returned to the preparer after signing?
  - d. If mechanical check signers and signature plates are used, are they kept under the control of a person who is independent of the initiator, approver, and processor of the disbursement, investment purchase, benefit payment, etc.?
  - e. Are checks signed by authorized signers?
11. Are checks prepared only after matching to proper and approved supporting documents (investment or other purchase order, benefit or claim application, etc.)?
  - a. Does the check signer review all supporting documentation?
  - b. Are the supporting documents canceled, marked with the check number when the check is prepared, and retained?
  - c. Is the clerical accuracy of the documents supporting disbursement checked?
12. Are there adequate controls over non-check disbursements such as debit memos and wire transfers (for example, passwords for individuals authorized to make transfers, bank callback verifications for telephone transfers exceeding a predetermined dollar amount, etc.)?

### **Reconciliation and Review**

13. Are bank accounts reconciled regularly by a person who is independent of the cash receipts and disbursements functions?
  - a. Are bank reconciliations reviewed by another appropriate person?
  - b. Are stale checks followed up on periodically by a person who is independent of the accounts payable and cash disbursements functions?
  - c. Is the list of daily cash receipts compared to postings to participant accounts and deposits by a person independent of the cash receipts and contributions functions?
  - d. Are cash disbursement records matched against accounts payable (or benefits payable) open invoice files (or benefit payment calculations)?
  - e. Does a manager or another responsible person periodically compare actual cash receipts and disbursements to budgeted cash receipts and disbursements and follow-up on significant variances?
14. Other checking or processing routines:
  - a. Are cash receipts and checks promptly and accurately recorded upon issuance?



- b. Are cash receipts and disbursements periodically reviewed by the plan administrator or other appropriate person?
  - c. Are adjustments of cash accounts approved by the plan administrator or other appropriate person?
  - d. Are there adequate procedures for approving and recording interbank transfers?
  - e. Is a mechanical check protector used to inscribe checks so that alteration of amounts or payees might be more easily detected?
  - f. Are voided checks and other voided documents canceled and retained?
15. Are employees with cash disbursement and bank reconciliation responsibilities required to take vacations, and are other employees required to perform those functions when an employee is absent?
16. Is access to computerized cash receipts and disbursements records limited to those with a logical need for such access?
17. Are checks that have been outstanding for a long time investigated and payment stopped?

## **IV. OPERATING EXPENSES**

### **CONTROL OBJECTIVES**

1. Operating expenses are valid, in accordance with the plan document, and properly approved.
2. Expenses are promptly and accurately recorded as to payee, amount, account, and period.

### **COMMON CONTROL PROCEDURES**

1. Does the plan instrument describe types of administrative services the plan will offer?
2. Are operating expenses approved by a responsible official who is not involved in processing expenses?
3. Are recorded expenses compared to contracts and agreements, reports of amounts paid by trustees or third-party administrators, and disbursements?
4. Are there procedures for identifying transactions that require disclosure, for example, party-in-interest transactions?
5. If expenses are allocated to more than one plan, are the allocation methods and calculations reviewed?
6. If the plan makes payments for expenses, see PCX-8e on cash disbursements.

## V. COMPUTER CONTROLS QUESTIONNAIRE—GENERAL CONTROLS

### **Organization Controls**

1. Is the information technology (IT) department independent of the departments it serves?
2. Are IT personnel prohibited from initiating or authorizing transactions?
3. Are IT personnel prohibited from initiating changes to master files or are appropriate procedures followed to control those changes?
4. Are departments that initiate master file changes given a report showing the changes that were made?
5. Are appropriate procedures followed when IT personnel make corrections to errors in data files or applications?
6. Is there separation of duties between programmers, system administration, and users?
7. Are the duties of IT personnel rotated periodically?
8. Are IT personnel required to take annual vacations of at least one continuous week and during the vacationing personnel's absence, are their duties performed by other personnel?
9. If there is an internal audit function, do the internal auditors report to the audit committee on whether the computerized accounting applications are designed and operated to produce information that can be used to prepare accurate financial statements?

**Access Controls** (If the entity has more than one computer system or a LAN, this section of the form should be completed for each system or LAN. To do so, a copy of this page and the next can be made and completed for each system or LAN.)

10. Is one employee assigned the responsibility for IT security?
11. Are there adequate physical controls to ensure that access to computer facilities are restricted to authorized personnel?
12. Are programmers restricted from access to applications in live operation, job control language, and live data files?
13. Are procedures in place to prevent testing of new or revised programs on live data files?

14. Are software users prohibited from having access to source code, the compiler, and programming documentation?
15. Is access to application processing parameter databases or table files restricted to authorized personnel, and are changes to those files adequately reviewed?
16. Are software utilities that can alter data or applications adequately controlled and their use logged for subsequent management review?
17. Is access control software used for terminals and workstations so that—
  - a. Access is limited to specified persons?
  - b. Individuals have access only to those applications or files that are necessary to perform their duties?
18. If passwords are used to control terminal or workstation access—
  - a. Are procedures established to determine that those passwords are confidential and unique?
  - b. Are passwords changed at regular intervals?
  - c. Are passwords promptly canceled for terminated employees?
19. Regarding IT personnel who are terminated—
  - a. Are they released from sensitive duties immediately?
  - b. Is their access to the IT system suspended immediately?
  - c. Are their actions appropriately supervised until their departure from the premises?
20. Are there procedures to prevent remote access to the network through dialup, Internet, or Virtual Private Network (e.g., dial-back, polling lists, user ID or passwords)?
21. If confidential or sensitive information is transmitted through public carrier networks (e.g., by leased line), are protection methods used to prevent or detect unauthorized access, either through carrier security methods or independent methods (e.g., encryption methods)?
22. For internal network traffic, are procedures that are commensurate with data traffic sensitivity in place to provide security over transmissions across the network?
23. Are intrusion detection systems in place on the internal network to monitor the network?
24. Has all data been classified and appropriate risk ranking established that will support and provide evidence for the use of implemented network security controls?
25. For centralized data centers, are there appropriate controls over access to system administrator instruction manuals?

26. For decentralized, distributed client server systems, are there appropriate education, training, and support materials available for the system administrator and security administrator over the servers?

**Application Development Controls** (If the entity has more than one computing platform, such as mainframe and LAN, this section of the form should be completed for each platform. To do so, a copy of this page can be made and completed for each platform.)

(The following questions apply to all key applications, both those developed in-house and those purchased from third-party vendors.)

27. Are there established procedures and is approval obtained for development of new applications, as well as modifications of existing applications, preferably through a system development life cycle methodology?
28. Do the application development procedures give adequate consideration to development of adequate control features for the new or modified applications?
29. Do the application development procedures require active involvement by the users (and internal audit, if applicable)?
30. Have formal testing procedures been established to check the functioning of new applications and modifications of existing applications (including testing of modifications made by vendors to purchased software)?
31. During the testing phase, does the user group (or the personnel who will run the system for the user group) test the application as a complete product, and is testing performed under conditions similar to those in which the application or system is expected to be run?
32. Are there formal standards and procedures for documentation of new applications as well as modifications of existing applications?
33. Are procedures in place to prevent unauthorized changes to applications, preferably as part of the plan's system development life cycle methodology?
34. Are there controls over the movement of new or modified code from development to testing and to the live operating environment?

**System Software Controls.** (System software includes the operating system, database management systems, telecommunications software, security software, and utility software, file management systems, library management packages, compilers, sorts, job control software, and time-sharing software.)

35. If plan personnel have the technical expertise and tools to develop or modify system software—
- a. Are those personnel prevented from having a detailed understanding of related applications and user controls over key files and transactions?
  - b. Are those personnel appropriately supervised?
  - c. Does the plan have in place controls over system software like those for application development (questions 27—34)?
  - d. Are changes to the system software reviewed and approved before moving them into the live operations environment?
  - e. Are changes to the system software tested before moving them into the live operations environment?
  - f. Are key system software parameters periodically reviewed to ensure adequate use and governance of system resources and processing?
  - g. Are maintenance and emergency software patches installed and kept up to date per vendor specifications?

**Operational Controls** (If the entity has more than one computing platform, such as mainframe and LAN, this section of the form should be completed for each platform. To do so, a copy of this page and the next two pages can be made and completed for each platform.)

36. Are schedules prepared and followed for processing of computer applications?
37. Are changes to work schedules appropriately authorized?
38. Are automated or manual logs used to record system administrator activities?
- a. Are controls in place to ensure that logs are complete and accurate?
  - b. Are the logs reviewed by appropriate supervisory personnel, and are unusual entries appropriately investigated?
39. Are system administrators required to report system failures, restart and recovery, or other unusual incidents, and are those reports reviewed by an appropriate official?
40. Are system administrator instruction manuals available to each computer user (in the form of a printed manual or instructions that can be accessed online)?
41. Do the system administrator instruction manuals contain the following:

- a. Setup of batch jobs and loading of operating systems or software (including applicable control statements or parameters used in processing)?
  - b. Hardware components and data files to be used?
  - c. Input and output media to be used?
  - d. Termination of applications?
  - e. Instructions on actions to be taken (such as rerun or restart procedures) if a process fails to operate properly?
42. Are there appropriate procedures to monitor system administrator compliance with prescribed operating procedures?
43. Are there appropriate procedures for back-up and storage of applications and data files?
44. Is there a documented background screening of IT personnel?
45. Are periodic security briefings provided for IT personnel?
46. Are there appropriate procedures to prevent test versions of applications from being run on live operating data and to control such tests when it is necessary to run them?
47. In circumstances when system administrators must initiate input of data, do procedures exist to allow the system administrators to determine whether the input is properly authorized?
48. Are there appropriate controls such as the following for situations when outside third parties (such as vendors from whom application or system software is licensed) are permitted to sign on to the client's system, for example, to perform problem determination and resolution procedures:
- a. The vendor must specifically request the client's authorization and a user ID and password (ideally a onetime use password) to sign on to the client's system?
  - b. The vendor must ask the client to turn on an activation switch that permits access to the system?
  - c. The client's procedures call for the client to call back vendors who initiate a request for access to the client's system to verify the identity and authority of the caller?

## **Disaster Recovery/Contingency Planning**

49. Is off-premises storage maintained for—
  - a. Master files and transaction files sufficient to recreate the current master files?
  - b. Applications and related documentation?
50. Have contingency plans been developed for alternative processing in the event of loss or interruption of the IT function?
51. If contingency plans have been developed, have they been tested for adequacy in the event of a disaster?
52. Are copies of the backup files for the following periodically tested to make certain they are usable:
  - a. Software copies?
  - b. Master files?
  - c. Transaction or transaction history files?



## **VI. PARTICIPANT DATA**

### **CONTROL OBJECTIVES**

1. All eligible employees are notified of eligibility and allowed to participate in the plan.
2. All participants are eligible to participate in the plan.
3. Participant data is properly and timely recorded and only used for appropriate purposes.
4. Participants' withdrawal requests are properly documented and authorized.

### **COMMON CONTROL PROCEDURES**

1. Does the plan instrument define eligibility for plan participation?
2. Are there procedures to promptly identify employees who become eligible to participate in the plan, for example, by accumulation and periodic review of data relevant to eligibility such as age and service hours?
3. Are employees who become eligible to participate in the plan promptly notified of their eligibility?
4. Is a record kept of employees who decline to participate, for example, by retaining their signed refusals?
5. Are enrollment applications retained and numerically controlled?
6. Are enrollment applications reviewed for eligibility and approved by a responsible official?
7. Are withdrawal forms numerically controlled?
8. Are withdrawal forms [including requests for hardship withdrawals from 401(k) arrangements] reviewed by a responsible official?
  - a. For hardship withdrawals, is documentation maintained that supports the withdrawal request, authorization, amount, and adherence to related tax requirements (for instance, documentation of financial hardship and limitation of amount that may be withdrawn to the amount of the participant's elective deferrals)?

- b. Are there procedures to ensure that participants making hardship withdrawals do not make any contributions to any retirement plans during the six months following the withdrawal, if required by the plan agreement?
9. Is the number of plan participants reconciled with the number on enrollment and withdrawal forms?
10. Are detailed subsidiary ledgers or records kept of participants who are active, retired, and terminated with vested benefits?
  - a. Are participant subsidiary ledgers or records periodically reconciled to the general ledger?
11. Is participant data periodically reconciled to the employer's (or participating employers' in a multiemployer plan) payroll and personnel records?
12. Are participant account balances of a defined contribution plan periodically reviewed for the following, and discrepancies investigated:
  - a. Agreement of the total of all balances to the amount of net assets in the plan financial statements?
  - b. Agreement of the number of account balances with the number of plan participants?
  - c. Reasonableness?
13. Are participants given statements of their account balances and benefit data upon written request?
14. Are participant data records maintained by:
  - a. Persons other than those who approve benefits?
  - b. Persons other than those who process the data records?
15. Are employees with participant data responsibilities required to take vacations, and are other employees required to perform those functions when an employee is absent?
16. Is access to computerized participant data records limited to those with a logical need for such access?
17. Are participant data records maintained in a secure place to which access is limited to authorized persons?

## **VII. BENEFIT OBLIGATIONS AND PAYMENTS**

### **CONTROL OBJECTIVES**

1. Benefit obligations are properly calculated, reviewed, and recorded.
2. Benefit payments are based on valid, approved application forms properly executed.
3. Benefit payments are promptly and accurately recorded as to payee, amount, and period.
4. Benefit payments are made only to those entitled to receive benefits.

### **COMMON CONTROL PROCEDURES**

#### **Benefit Obligations**

1. Does the plan instrument specify the formula for the accrual of - benefits?
2. Is participant data updated and reconciled to the employer's payroll and personnel records before being sent to the plan actuary?
3. Do responsible plan officials discuss the actuarial valuation methods and assumptions that are the basis for the actuarial valuation with the actuary?
4. Is the participant data in the actuary's valuation report reconciled to the participant data subsidiary records?
5. Is the actuary's valuation reviewed by responsible plan officials?

#### **Benefit Payments**

6. Are signed benefit or claim application forms used to apply for benefits or claims?
  - a. Are the forms preprinted and prenumbered?
  - b. Is numerical control maintained over the forms, such as by accounting for the sequence of form numbers?
7. Are benefit or claims calculations checked for clerical accuracy?
8. Are control totals of monthly benefit or claims payments established?

- a. Are such totals compared to trustee, third-party administrator, or insurance company reports of payments made?
9. If the plan (rather than a trustee, claims processor, or third-party administrator) makes significant cash disbursements to pay claims or benefits, see PCX-8e on Cash.
10. Are benefit or claim applications reviewed for the following and approved by a responsible official or committee not involved in processing:
  - a. Eligibility to receive benefits?
  - b. Benefit or claim amount?
  - c. Compliance with the plan's benefit or claims provisions?
  - d. Supporting documents such as payroll and personnel records, insurance company records, medical bills, etc.?
11. Are participants or beneficiaries notified of their right to have denied benefits or claims reviewed?
12. Are there procedures for identifying persons no longer entitled to receive benefits, such as:
  - a. Periodic correspondence with retirees or their beneficiaries to determine that they are still alive?
  - b. Comparison of benefit check endorsements with signatures in personnel files?
  - c. Having checks and other correspondence returnable to the plan if undeliverable?
13. Are there procedures for promptly removing deceased retirees and others no longer entitled to receive benefits from the benefit rolls?
14. Are benefit and claims approval and recording functions performed by different persons who do not maintain participant records?
15. Are employees with benefit payment responsibilities required to take vacations, and are other employees required to perform those functions when an employee is absent?
16. Is access to computerized benefit payment records limited to those with a logical need for such access?

## **VIII. PROPERTY AND EQUIPMENT USED IN OPERATIONS**

### **CONTROL OBJECTIVES**

1. Fixed assets are purchased/disposed of only with proper authorization.
2. Acquisitions and disposals of fixed assets are properly recorded on a timely basis.
3. Depreciation of fixed assets is calculated and recorded accurately using proper lives and amounts.
4. The carrying value of assets are recoverable.
5. Physical loss of fixed assets is prevented or accounted for on a timely basis.

### **COMMON CONTROL PROCEDURES**

1. Is approval of the administrative or investment committee or board of trustees required and documented for property and equipment additions and disposals?
2. Are there written policies and procedures for:
  - a. Distinguishing between property held for investment and property used in operations?
  - b. Distinguishing between capital items and repairs and maintenance?
  - c. Determining a cutoff amount below which items are charged to operating expense?
  - d. Establishing depreciation method and depreciable life?
  - e. Determining current value (for reporting in Form 5500)?
3. Are detailed property and equipment subsidiary ledgers and records maintained that include description, date purchased, cost, depreciation method, estimated useful life, accumulated depreciation, and depreciation expense?
  - a. Are fully depreciated assets that are still in use maintained in the records to help provide control?
  - b. Are the detailed ledgers and records regularly reconciled to the general ledger?
4. Is access to computerized property and equipment records limited to those with a logical need for such access?

5. Are estimated useful lives and depreciation methods periodically reviewed by a responsible official?
6. Are property items identified by numbered tag or other means of identification attached to the item?
7. Are property items adequately safeguarded from loss due to fire, theft, or misplacement?
8. Are periodic physical inventories taken of moveable property items, compared to detailed property records, and discrepancies investigated?
9. Does the plan administrator or other appropriate person periodically review property and equipment for impairment and adjust the carrying amounts of impaired assets accordingly?
10. Is there adequate segregation of duties between initiating property transactions, asset custody, and recordkeeping?

## **IX. LOANS PAYABLE**

### **CONTROL OBJECTIVES**

1. Financing arrangements and the incurrence of other liabilities (including lease transactions) are properly authorized.
2. All financing transactions are properly recorded and classified in the accounts.
3. Access to debt records and related proceeds is controlled.
4. Debt and other restrictive covenants and ERISA requirements are complied with.

### **COMMON CONTROL PROCEDURES**


1. Are loans and leases authorized by the administrative or investment committee or board of trustees and authorization documented in its minutes?
2. Are loan and lease agreements in the custody of a responsible official and updated for any changes?
3. Are detailed records maintained that reflect debt transactions, including source, description, maturity, interest rate, debt service payment dates, collateral, restrictions, guarantees, etc.?
  - a. Are the detailed records regularly reconciled to the general ledger?
  - b. Are the reconciliations reviewed by the plan administrator or other appropriate person?
4. Are there periodic reviews to determine compliance with debt agreement restrictions and ERISA requirements?
  - a. Are compliance calculations or other detail reviewed by the plan administrator or other person who is familiar with the debt agreement?
5. Are interest expense calculations periodically reviewed for accuracy by the plan administrator or other appropriate person?

**San Mateo County Employees' Retirement Association  
Board of Retirement**

February 28, 2012

Agenda Item 7.10

To: Board of Retirement


From: Mabel Wong, Retirement Finance Officer  
Gary Clifton, Chief Investment Officer

Subject: Approval of *SamCERA's Travel Policy*.

STAFF RECOMMENDATION: Staff recommends that the board review and reaffirm as last amended on March 24, 2009, *SamCERA's Travel Policy*.

COMMENT: At the January 27, 2009, meeting of the Board of Retirement, the Travel Policy was presented as part of the annual policy review process. The board asked that further research be done to determine whether it is necessary for *SamCERA* to have its own policy or whether it could operate under the policy of the County of San Mateo.

After reviewing both policies, staff determined that there are no substantive differences between the standards of travel and reimbursement set by the two policies. However, there are clear differences in the governing authorities, funding sources, and purposes of travel. Numerous references define the following:

<u>Subject</u>	<u>County</u>	<u>SamCERA</u>
Governing Board	Board of Supervisors	Board of Retirement
Governing Officer	County Manager	Chief Executive Officer
Funding Source	County	<i>SamCERA</i>
Purpose of Travel	Represent the County	Represent <i>SamCERA</i>

The board determined these differences are appropriate given that *SamCERA* is a separate legal entity from the County and because the administration of the retirement association is the responsibility of the Board of Retirement.

For the board's reference the current reimbursement rates for the Continental United States (CONUS) as set forth in the Code of Federal Regulations may be found at the following web site <http://www.gsa.gov/portal/category/21287>.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Travel Policy**  
**Resolution 06-07-01**

**WHEREAS**, Article XVI, §17(c) of the Constitution of the State of California states in part that *The members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims;* and

**WHEREAS**, Government Code §31520 vests the management of *SamCERA* in the Board; and

**WHEREAS**, the board acknowledges the vital importance of making informed judgments on all matters which come before it and has adopted a *Code of Fiduciary Conduct* and an *Educational Policy* to guide its actions; and

**WHEREAS**, associations and institutes exist which offer specialized training for pension fund trustees and staff; and

**WHEREAS**, the board wishes to encourage its trustees and staff to become as expert as is cost-effective in the matters of pension fund investments, service and disability retirements and plan administration; and

**WHEREAS**, the board recognizes that it is imperative for pension fund trustees and staff to travel to receive the appropriate specialized training required of a plan fiduciary. Now, therefore, be it

**RESOLVED**, that the board hereby approves *SamCERA's Travel Policy* drafted July 25, 2006, and attached as part of this resolution. Be it further

**RESOLVED**, that reimbursement rates in this policy shall be automatically updated to comply with amendments to the travel policy of San Mateo County.

Adopted by unanimous vote July 25, 2006

Amended February 26, 2008

Amended March 24, 2009

# Travel Policy

As Amended March 24, 2009

## ***SamCERA's Travel Policy***

### **SECTION 1. Travel expenses.**

This section regulates reimbursement for travel expenditures for trustees and employees of the San Mateo County Employees' Retirement Association (*SamCERA*). These provisions do not apply to other expenses that are incurred in the performance of the official duties of *SamCERA's* trustees and employees. Whenever any member of the Board of Retirement, or any *SamCERA* employee in the service of *SamCERA* is required to travel outside or within San Mateo County, such person shall be allowed, in addition to any salary or compensation, actual and necessary travel expenses, as set forth below. Occurrences that would require a member of the Board of Retirement or *SamCERA* employee to travel include, but are not limited to, official business of the retirement association at conferences, education, due diligence, appearances before local, state, and federal administrative agencies, legislative bodies, and judicial proceedings or when otherwise serving in their official capacity or representing the Retirement Association.

(a) Transportation and Conveyance. Actual cost incurred for transportation or conveyance by any carrier services. Reimbursement for travel by any privately owned automobile shall be in accordance with the provisions of paragraph (c), below, except that it shall not be more than the cost of common carrier services where the one-way distance required to be traveled is 200 miles or more, and in such event the reimbursement for such travel shall not exceed the cost of air travel regardless of the mode of transportation used therefore. The cost of air travel shall be based on coach fares, unless air coach service is not available, or unless otherwise authorized by the Chief Executive Officer. Government and group rates offered by a provider of transportation services shall be used when available.

(b) Meals, Lodging, and Incidentals. Actual cost incurred outside San Mateo County or within the county for approved educational expenses for meals, lodging, and incidentals, including baggage transfer, tips, car storage, and other actual and necessary incidental expenses. The maximum reimbursement for the actual cost of meals will be limited to the Continental United States (CONUS) current rate as set forth in the Code of Federal Regulations except that for CONUS designated high cost of living metropolitan areas the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate. Government and group rates offered by a provider of lodging services shall be used when available. If such rate is not available, the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate. If the lodging is in connection with a conference or organized educational activity lodging reimbursement for lodging costs shall not exceed the maximum group rate published by the conference or activity sponsor, provided that lodging at the group rate is available at the time of booking. If such rate is not available, the maximum reimbursement rate shall be limited to double the amount of the CONUS current rate or the group rate, whichever is higher. A complete listing of CONUS rates can be found at [www.gsa.gov](http://www.gsa.gov). If it is necessary to secure lodging in excess of double the CONUS rates, that expenditure must be approved in advance.

(c) Privately Owned Automobile. Actual costs for miles actually traveled, at a rate determined by the San Mateo County Manager, provided the amount is at least that established by the Internal Revenue Service as the allowable business deduction rate for such travel.

(d) Travel expenses may be paid to the supplier of the transportation where the mode of transportation is other than by a privately owned motor vehicle. In other instances travel shall be

claimed by the individual employee.

(e) Required registration fees for educational courses, conferences, or other meetings may be paid directly to the organization or association conducting such course, conference, or other meeting and the officer or employee shall not be required to advance the funds therefore.

(f) *SamCERA* trustees or employees shall not submit a claim to *SamCERA* except for those expenses actually incurred in connection with the performance of official business of the retirement association.

(i) No officer or employee shall engage in any travel in connection with the performance of official business of *SamCERA* in a privately owned conveyance, either their own, or that belonging to another, unless the same is insured in such manner as to comply with County of San Mateo Administrative Memorandum.

(k) All reimbursable expenses for members of the Board of Retirement that do not fall within the above provisions may be approved by the Board of Retirement at a public meeting before the expense is incurred.

## **SECTION 2. Reimbursement for expenses.**

Members of the Board of Retirement and other *SamCERA* employees, are entitled to reimbursement of the actual cost of expenses, including meals, that are reasonably incurred in the performance of official duties within San Mateo County, unless otherwise specified by this policy.

## **SECTION 3. Authority to host--Conventions, conferences, training and special meetings.**

Whenever the San Mateo County Employees' Retirement Association, or any of its trustees or employees, acts as host for a convention, conference, training or special meeting which will be of benefit to *SamCERA*, the expenses of the convention, conference, training or special meeting including meals of duly authorized delegates, representatives or participants thereto, may be paid by *SamCERA* upon presentation of claims therefore and approval by *SamCERA's* Chief Executive Officer if the amount does not exceed two thousand five hundred dollars (\$2,500), or upon approval by the Board Chair if the amount thereof exceeds two thousand five hundred dollars (\$2,500). Prior approval for *SamCERA's* participation as host of such conferences, conventions, or meetings shall be obtained whenever time permits.

## **SECTION 4. Claims for expenses.**

Before any travel expenses are allowed or paid, the claimant shall file a claim in the manner provided by law for claims to be filed against *SamCERA*, duly certified as correct by the claimant and approved by *SamCERA's* Chief Executive Officer. The Board Chair will approve the Chief Executive Officer's claims. There shall be attached to said claim all receipts showing the moneys expended by the claimant. Receipts are required for all expenditures \$25 and over. If a receipt is lost, the claimant must detail the expenditure to the best of their ability and attest to its accuracy by affixing their signature to the reimbursement expense. Expenses shall be submitted within sixty (60) days after incurring the expense.

**SECTION 5. Advance payments for expenses.**

Whenever it appears to be for the best interests of *SamCERA* that any member of the Board of Retirement, or employee of *SamCERA* travel outside of the County of San Mateo on official business and where prior authorization for such travel has been given by the Board of Retirement, and it appears that it is necessary that such trustee or employee be allowed a sum of money not in excess of two thousand five hundred dollars (\$2,500) for such travel expenses in advance, a claim for such advance showing the emergency requiring such advance shall be made out in the regular form and approved by the Chief Executive Officer and thereafter *SamCERA* shall draw their warrant in favor of such Trustee or employee and the Treasurer shall pay the same. The trustee or employee receiving such advance shall file with *SamCERA* after their return from such trip an itemized account, together with proper vouchers of their expenses and shall pay to *SamCERA* any balance remaining in their hands unexpended. *SamCERA* shall attach such statement to the original claim for such advance and shall immediately make the proper adjustment of the account from which the advance was drawn .

**SECTION 6. Reporting By Members of the Board of Retirement on Meetings Attended.**

Members of the Board of Retirement shall provide a brief report, either orally or in writing, on meetings attended at the expense of *SamCERA* at the next regular meeting of the board.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

February 28, 2012

Agenda Item 7.11

To: Board of Retirement



From: Mabel Wong, Retirement Finance Officer  
Gary Clifton, Chief Investment Officer

Subject: Approval of Amendments to *SamCERA's Education Policy*.

STAFF RECOMMENDATION: Staff recommends that the board review and reaffirm *SamCERA's Education Policy*, Resolution 98-99-12 as amended March 29, 2011.

BACKGROUND: *SamCERA's Education Policy* provides a framework for training that helps each trustee and staff member fulfill his or her fiduciary duties as defined by California's Constitution, the County Employees' Retirement Law of 1937 (the 1937 Act) & applicable law. The board first adopted an *Education, Conference and Travel Policy* with Resolution 94-95-12 on October 20, 1994. The current governance for *SamCERA's Education Policy* is provided by Resolution 98-99-12 as amended.

DISCUSSION: The board annually reviews its *Education Policy* as part of the association's budget process. During that process, in keeping with the intent of the policy, the trustees and staff request educational events. After approval of those requests, an appropriation for travel and education is reflected in *SamCERA's Sources, Uses, and Budget Report*. The *Education Policy* spells out the amount that each individual may spend on education in each fiscal year.

The board approved the latest amendment to the policy March 29, 2011. That amendment encourages all trustees and staff to participate in electronic educational opportunities. The amendment was incorporated into the resolution as the second resolve. It appears below.

***"RESOLVED***, that the board hereby encourages all trustees and staff to participate to the fullest extent possible in approved electronic delivery of educational opportunities. *Be it further"*

The complete education resolution appears on the following pages.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Education Policy**

Resolution 98-99-12, as amended January 27, 2009

**WHEREAS**, Article XVI, §17(c) of the Constitution of the State of California states in part that

*The members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims; and*

**WHEREAS**, Government Code §31520 vests the management of *SamCERA* in the Board; and

**WHEREAS**, the board acknowledges the vital importance of making informed judgments on all matters which come before it and has adopted a *Code of Fiduciary Conduct* to guide its actions; and

**WHEREAS**, Associations and institutes exist which offer specialized training for pension fund trustees and staff; and

**WHEREAS**, the board wishes to encourage its trustees and staff to become as expert as is cost-effective in the matters of pension fund investments, service and disability retirements and plan administration. Now, therefore, be it

**RESOLVED**, that the board hereby stipulates that all trustees and staff shall participate to the fullest extent possible in approved educational activities, and that each trustee and staff member shall be expected to complete at least three endorsed educational activities each year. Be it further

**RESOLVED**, that the board hereby encourages all trustees and staff to participate to the fullest extent possible in approved electronic delivery of educational opportunities. Be it further

**RESOLVED**, that the board hereby authorizes the participation of trustees and staff in the educational activities of the State Association of County Retirement Systems (SACRS), the California Association of Public Retirement Systems (CALAPRS), the Government Finance Officers Association (GFOA), the Institute for Fiduciary Education (IFE), International Foundation of Employee Benefit Plans (IFEFP), the California Retired County Employees' Association, the Pacific Pension Institute (PPI), the Pension Real Estate Association (PREA) and the Wharton program for pension fiduciaries, to the extent that the budget provides funds for such participation. Be it further

**RESOLVED**, that the board hereby approves the following recommended progression of courses for new trustees to complete within their first three-year term: (1) SACRS Fall or Spring Conference &/or CALAPRS General Assembly, (2) CALAPRS' Trustee Roundtables, (3) CALAPRS @ Stanford Principles of Pension Management, (4) SACRS Public Pensions Investment Management Program (5) IFEFP Certificates of Achievement in Public Plan Policy and (6) Wharton Pension Fund and Investment Management Program. Be it further

**RESOLVED**, that the board hereby also approves the following programs for trustees with the recommendation that trustees complete the programs listed above in the 3<sup>rd</sup> Resolve Clause prior to participation in the following: Fiduciary Institute @ Stanford, IFEFP Public Funds Annual Conference, GFOA Annual Conference, Pension Real Estate Association Annual Conference and US-based programs of IFE & PPI. Be it further

**RESOLVED**, that the board hereby authorizes the participation of trustees and staff in the educational activities of the CFA Institute (including membership dues), the Institute for International Research, the Public Pension Fund Forum, Investors Press, the Investment Risk Institute, the Institutional Investor Institute, the Information Management Network, Opal Financial Group, Frank Russell Company, Milliman USA, The Pension Bridge and Callan Associates, to the extent that the budget provides funds for such participation. Be it further

**RESOLVED**, that participants may provide the board with a summary oral report on the content of educational activities, including a recommendation regarding *SamCERA's* participation in future activities offered by the same sponsor. Be it further

**RESOLVED**, that, in addition to the organizations listed above, other educational activities which may be counted toward the board's educational requirement are subscriptions to *Pensions & Investments*, the *Public*

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Board of Retirement**

*Retirement Journal*, or other pension, investment or financial publications; completion of recommended readings from SACRS or *SamCERA* reading lists; participation in due diligence activities to meet with and monitor service providers; and/or participation in SACRS or *SamCERA* sponsored mentoring programs. Be it further,

**RESOLVED**, that the board authorizes the chief executive officer to enroll *SamCERA* as a pension fund member of the organizations set forth above and the National Conference of Public Employees Retirement Systems and to submit recommendations to the Board for additional educational activities, to the extent that the budget provides funds for such activities. Be it further,

**RESOLVED**, that the board hereby authorizes the chief executive officer to allocate \$15,000 for each new trustee's education during each of his or her first two years in office and \$7,500 for each trustee's education during each subsequent year. Trustees who wish to exceed these allocations may request board approval for their participation in additional educational activities when placed on the agenda of a public meeting of the board. The cost of attending events sponsored by SACRS and CALAPRS will be paid by the association and not charged against the individual's education allocation. Be it further

**RESOLVED**, that the board hereby authorizes the chairman to approve the participation and associated travel for trustees, the Treasurer's Constitutional alternate, the Safety Member alternate, the Retired Member alternate, and the chief executive officer in the educational activities of the organizations set forth above, to the extent that the budget provides funds for such activities. Be it further,

**RESOLVED**, that the board hereby authorizes the chief executive officer to approve a progression of courses for staff, to approve the participation and associated travel of staff in the educational activities of the organizations set forth above, to the extent that the chief executive officer finds that such participation will contribute to the staff member's ability to perform her or his duties and the budget provides funds for such activities. Be it further

**RESOLVED**, that the board may approve participation in additional educational activities when placed on the agenda of a public meeting of the board.

ADOPTED by unanimous vote November 24, 1998

AMENDED by unanimous vote March 27, 2001

AMENDED by unanimous vote March 26, 2002

AMENDED by unanimous vote May 28, 2002

AMENDED by unanimous vote November 26, 2002

AMENDED by unanimous vote March 25, 2003

AMENDED by unanimous vote July 27, 2004

AMENDED by unanimous vote September 28, 2004

AMENDED by unanimous vote February 22, 2005

AMENDED by unanimous vote February 27, 2007

AMENDED by unanimous vote January 27, 2009

AMENDED by unanimous vote April 27, 2010

AMENDED by unanimous vote August 24, 2010

AMENDED by unanimous vote March 29, 2011



# SamCERA Memorandum



February 16, 2012

**To:** All SamCERA Board of Retirement Trustees

**From:** Al David, Chair

**Subject:** Educational Conferences

As part of our effort to prepare an appropriate budget for educational activities, while being fair to all trustees, I need an estimate of who would like to participate in the following activities. Please place an "X" next to the educational conference opportunities you are interested in attending during FY 2012-2013. Below, or on an additional page, please list conferences and trainings not shown here, that you may wish to attend.

Reminder that the Educational Policy states that, "the board hereby authorizes the chief executive officer to allocate \$15,000 for each new trustee's education during each of his or her first two years in office and \$7,500 for each trustee's education during each subsequent year."

Please return this completed form to Mr. Clifton by **February 28**.

**Name:** \_\_\_\_\_

X	Training /Conference	Date	Location	Tuition / Travel cost estimate
	SACRS Public Pension Investment Management Program	Jul 16-18, 2012	Berkeley, CA	\$ 3,500
	Wharton Hedge Funds, Real Estate & Other Alt Investments	July 16-18, 2012	San Francisco, CA	\$3,225
	CALAPRS Trustees' Round Table	Oct 19, 2012	Burbank, CA	\$ 425
	Wharton Investment Strategies & Portfolio Management	Nov 5-9, 2012	Philadelphia, PA	\$ 11,000
	IFEBP CAPPP - Employee Pensions - Part II	Nov 10 -11, 2012	San Diego, CA	\$ 1,625
	IFEBP Annual Employee Benefits Conference	Nov 11-14, 2012	San Diego, CA	\$ 2,100
	SACRS Fall Educational Conference	Nov 13-15, 2012	Hollywood, CA	\$ 1,800
	CALAPRS Advanced Course in Retirement Plan Admin.	Dec 5-7, 2012	San Jose, CA	\$ 500
	CALAPRS Trustees' Round Table	February 2013	*TBD	\$ 425
	CALAPRS General Assembly	March 2013	*TBD	\$ 1,500
	SACRS Spring Educational Conference	May 14-17, 2013	Napa, CA	\$ 1,800
	Government Finance Officers Association Annual Conference	June 2-5, 2013	San Francisco, CA	\$ 700
	CALAPRS Trustees' Round Table	June 2013	*TBD	\$ 750
	IFEBP CAPPP - Employee Pensions - Part I and II	*TBD	*TBD	\$ 4,850
	Wharton Investment Strategies & Portfolio Management	May 2013	Philadelphia, PA	\$,10,500


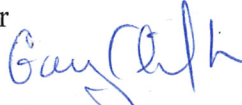
*Estimated costs include tuition, airfare and lodging (to So Cal - \$200 per RT flight, \$150 per night hotel). \* Where destination and tuition are not confirmed, the amount allotted comes from last FY request form*

- OTHER (please specify conference & estimate costs) \_\_\_\_\_
- Subscriptions \_\_\_\_\_

February 28, 2012

Agenda Item 7.12

To: Board of Retirement

From:  Mabel Wong, Retirement Finance Officer  
Gary Clifton, Chief Investment Officer 

Subject: Annual Review and Reaffirmation of *SamCERA's Expense Reimbursement Policy*.

STAFF RECOMMENDATION: Staff recommends that the board review and reaffirm *SamCERA's Expense Reimbursement Policy*.

COMMENT: In February 2010, Ms. Wong introduced *SamCERA's Expense Reimbursement Policy*. As a result of an internal control review, staff noted that there was no explicit guideline for the reimbursement of business expenses incurred in the performance of official duties of *SamCERA's* trustees and staff. *SamCERA* has adhered to the County's Expense Reimbursement Policy as set forth in the Administrative Memorandum. To improve the internal control and efficiency of *SamCERA's* fiscal process, staff recommended that an Expense Reimbursement Policy be adopted to clarify and simplify the expense reimbursement process. The policy works in conjunction with the Travel Policy.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Expense Reimbursement Policy**  
**Resolution 09-10-10**

“WHEREAS, Article XVI, §17(a) of the Constitution of the State of California states in part that *the retirement board...shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system...*; and

“WHEREAS, Article XVI, §17(c) of the Constitution of the State of California states in part that *“The members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...that a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims;* and

“WHEREAS, Government Code §31520 vests the management of *SamCERA* in the board; and

“WHEREAS, the board expects the staff to constantly improve the effectiveness of *SamCERA's* services and the efficiency of its operations; and

“WHEREAS, the board recognizes that it is necessary on occasions for pension fund trustees and staff to incur out-of-pocket expenses related to travel for education, conference, due diligence purposes, and in performance of normal business operations. Now, therefore, be it

“RESOLVED, that the board hereby approves *SamCERA's Expense Reimbursement Policy* and **authorizes** the Chief Executive Officer to take all actions necessary to implement the policy.”

Adopted by unanimous vote February 23, 2010

San Mateo County Employees' Retirement Association  
**Expense Reimbursement Policy**  
February 23, 2010

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**Contents**

1. Purpose
2. Reimbursement Process
  - 2.1 Travel-Related Expenses
  - 2.2 Non Travel-Related Supplies Expenses
  - 2.3 Controller's Responsibility
3. Management's Responsibility
4. Guidelines for Reimbursable Expenses
  - 4.1 Travel Related Reimbursable Expenses
  - 4.2 Travel Related Non Reimbursable Expense
  - 4.3 Business Supplies Expenses
  - 4.4 Expenses Under \$50
  - 4.5 Tuition for Continuing Education

**1. Purpose**

The purpose of this policy is to clarify and simplify expense reimbursement for: (a) authorized travel-related expenses incurred by trustees and employees as part of continuing education in attending conferences, seminars, and professional training; (b) travel expenses for due diligence of current or prospective investment firms and consultants; (c) pre-approved purchases made by employees for *SamCERA's* business purposes; and (d) tuition reimbursement for continuing education.

This policy works in conjunction with the Travel Policy in which alternatives and limitations are set forth in detail for various types of travel expenses.

**2. Reimbursement Process**

**2.1 Travel Related Expenses**

Trustees and employees will use the Travel Expense Form to submit reimbursement for out-of-pocket travel-related expenses (see attached) for continuing education and due diligence. Trustee travel forms will be submitted to and approved by the Chief Executive Officer. Employee forms will be submitted to and approved by the supervising manager. All travel forms may be submitted as soon as practical and must be submitted within 60 days of travel. Approved travel forms will be forwarded to *SamCERA's* Controller for reimbursement process.

**2.2 Non Travel Related Supplies Expenses**

All expenditures must be necessary, appropriate, and pre-approved by the supervising manager or the Chief Executive Officer. Employees will use the Claim Form (see attached) to submit non travel-related *SamCERA* business expense for reimbursement.

### **2.3 Controller's Responsibility**

*SamCERA*'s Controller will verify and code the expenditures on the approved Travel Expense Forms and Claim Forms and process for payment within 3 business days. Payments should be mailed within 7 days.

### **3. Management's Responsibility**

Management has the responsibility to approve or disapprove all reimbursement requests as well as pre-approval of business supplies and travel and education requests.

Managers must ensure that:

- Proper procedures are being followed
- Funds are available
- Expenses are reasonable, appropriate and cost is not excessive

### **4. Guidelines for Reimbursable Expenses**

#### **4.1 Travel Related Reimbursable Expense**

Expenses related to travel must comply with the Travel Policy. Business related expenses such as fax, internet connection, delivery and postage, incurred while travelling are reimbursable. Use of a rental car for local use at the travel destination when flying in to reach the destination is optional.

When submitting a joint receipt for multiple trustees and employees, list the names of the participants on the receipt. If a receipt includes non-*SamCERA* expenses, e.g. personal expenses, claim only the actual portion that pertains to *SamCERA*.

Personal auto mileage related to *SamCERA* business will be reimbursed at the prevailing rates as establish annually by the Internal Revenue Service. Local travel on *SamCERA* business may include performance of normal duty, attendance at meetings, conferences, and training.

Receipts are required for all expenses of \$25 and above. If a receipt is lost, the claimant must detail the expenditure to the best of their ability and attest to its accuracy by affixing their signature to the reimbursement expense.

#### **4.2 Travel Related Non Reimbursable Expenses**

Below is a list of some of the expenses which are not reimbursable.

- Non *SamCERA* business-related expenses
- Transportation, lodging, and meal expenses which exceed the guidelines set by the Travel Policy

- Alcoholic beverages
- Personal entertainment
- Additional costs for additional person(s) in room
- Extra baggage charges for personal items, such as golf clubs, skis, etc
- Traffic citations and parking tickets

#### **4.3 Business Supplies Expenses**

All purchases must be pre-approved by the supervising manager or the Chief Executive Officer. Employees are encouraged to use the corporate credit card for necessary online purchases. Use the Claim Form to submit reimbursement of employee-paid expenses. Attach original detailed receipts to the Claim Form for verification of each expenditure. Note the purpose or recipient of the expense items on the Claim Form as applicable.

#### **4.4 Expenses under \$50**

Employees may request immediate reimbursement of approved expenditures under \$50 from the Petty Cash Fund. Ask the Petty Cash Custodian for a Petty Cash Voucher, return the completed Petty Cash Voucher with original detailed receipt to the custodian. Typical petty cash expenses are refreshments for meetings, kitchen supplies, postage stamps, and certified mailings. The Petty Cash Custodian will obtain approval from the Chief Executive Officer and reimburse the employee.

#### **4.5 Tuition Reimbursement for Continuing Education**

Permanent *SamCERA* employees are eligible to participate in the County's Tuition Reimbursement Program to enhance work performance and career mobility. College level courses may be taken at accredited educational institutions. Requests must be submitted and approved by the supervising manager at least two weeks before the beginning date of the course. The County Human Resources Department will have the final approval for this program.

Refer to the County Human Resources website as noted below for program details.

<http://www.co.sanmateo.ca.us/portal/site/HR/menuitem.1121a725a256f52a3d6082a1e17332a0/?vgnextoid=d66199387a7a7110VgnVCM1000001d37230aRCRD&vgnnextchannel=840907a1df2c8110VgnVCM1000001937230aRCRD>

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

COUNTY OF SAN MATEO, STATE OF CALIFORNIA  
DEMAND ON THE TREASURY

TRAVEL EXPENSE FORM FOR THE PERIOD OF:

Claimant: \_\_\_\_\_ Pony No: \_\_\_\_\_ Position: \_\_\_\_\_ PEID: \_\_\_\_\_ Department: Retirement

Date	LOCATION	PURPOSE	MILEAGE				Rate/ Mile	Total Car Exp.	Fare	Parking /tolls Shuttle	MEALS			Lodging	Reg. Fee	MISC *	TOTAL DAILY EXPENSE
			Starting Mileage	Ending Mileage	Total Miles	Total Mile					B	L	D				
			0		0	0.500	\$0.00	\$0.00								\$0.00	
			0		0	0.500	\$0.00	\$0.00								\$0.00	
<b>TOTAL:</b>			0		0		0.00	0	0				0	0	0	0	

OBJECT NAME	GENERAL LEDGER		JOB LEDGER		AMOUNT
	ORG KEY	ORG KEY	JOB ORG	JOB OBJ	
Airfare & Vehicle Rental			5713		
Employee mileage Reimb.			5714		
Meetings & Conference Exp			5721		
Other Business Travel Exp.			5724		
Advances Receivable			0360		
Batch ID	Invoice Number		Total		\$0.00
		DUE DATE	TAX CODE	DIVISION	
		NOTX	PNY		

CASH ADVANCE (MINUS).....

DUE CLAIMANT .....

DUE COUNTY (DP#.....)

I hereby certify that the above is a true and accurate report of authorized expenses that I incurred while on *SamCERA* Business during the abovementioned period.

CLAIMANT'S SIGNATURE \_\_\_\_\_

\*EXPLAIN ON REVERSE SIDE

APPROVED: \_\_\_\_\_

DEPARTMENT HEAD'S SIGNATURE \_\_\_\_\_

DATE \_\_\_\_\_

CLAIM  
SUBMIT ORIGINAL

**COUNTY OF SAN MATEO, STATE OF CALIFORNIA**  
*DEMAND ON THE TREASURY*  
**CLAIM FORM**

Date: \_\_\_\_\_ PE ID: \_\_\_\_\_ Batch ID: \_\_\_\_\_

GENERAL LEDGER		JOB LEDGER		AMOUNT	
ORG KEY	OBJ KEY	JOB ORG KEY	JOB OBJ KEY		
20110	5721				
20450	5721				
20110					

CLAIMANT		
NAME:		
ADDRESS 1:		
ADDRESS 2:		
CITY:	STATE:	ZIP:

DESCRIPTION		
Reimbursement of <i>SamCERA</i> business expense:		Amount:
1.		
2.		
3.		
4.		
5.		
Total:		

Invoice Number	Inv Date	Due Date	Tax Code	Division
			NOTX	

Others: (Please specify)


I hereby certify as to the correctness of the above computations and hereby submit this claim for the payment.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Claimant

In conformance with section 29705 of the Government Code, I approve this claim for allowance.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Department Head or Authorized Employee

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

February 28, 2012

Agenda Item 7.13

**TO:** Board of Retirement

**FROM:** Gladys Smith, Acting Assistant Executive Officer



**SUBJECT:** Report on Upcoming Trustee Elections and Appointments

**Issue**

The terms of two elected trustees, one elected trustee alternate and two appointed trustees will expire in June of this year.

**Background**

*Elections*

The Terms of the Second Member, Mr. David, the Seventh Member, Mr. Spinello and the Seventh Member Alternate, Ms. Salas, expire on 6/30/2012. Elections must be scheduled for those seats.

Regulation 3.1 of the Regulations of the Board of Retirement states that,

“Elections shall be held on the second Monday in June of the years in which the terms of elected trustees expire.”

That will be June 11<sup>th</sup> of this year.

Although three elected positions will be up for election, only two elections will be held. The Seventh Member and Seventh Member Alternate are selected during the same election. Board of Retirement regulation 3.15.5 describes the election of the Seventh Member Alternate.

**“3.15.5 Alternate Safety Member:** If there are two or more safety member candidates for the seventh member position, the candidate receiving the highest number of votes shall be elected to the seventh member position. The safety member candidate who is of a different safety membership group and who received the next highest number of votes, shall be elected to the Alternate Safety Member per Government Code §31520.1. If there is no eligible candidate who is of a different safety membership group there will not be an Alternative Safety Member. (Added per Resolution 03-04-11)



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

At the February 28<sup>th</sup> board meeting, staff will present a schedule for the elections as developed in conjunction with the county Elections Division.

*Appointments*

By June, the Board of Supervisors is scheduled to appoint the Fourth Member, currently Mr. Tashman, and the Sixth Member, currently Ms. Agnew, whose terms expire 6/30/2012. Staff will remind the appropriate county staff of the need for these appointments.

**Staff Recommendation**

This is an information-only report. No board action is required.

ATTACHMENT:

- A. Notice of Election

IMPORTANT NOTICE – PLEASE POST

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
(SamCERA)**NOTICE OF ELECTION**  
TO ELECT TWO MEMBERS TO THE BOARD OF RETIREMENT

Notice is hereby given that one **GENERAL MEMBER** is to be elected to fill the second position, and one **SAFETY MEMBER** is to be elected to fill the seventh position on SamCERA's Board of Retirement. An alternate Safety member will also be elected.

**General Member Eligibility:** Candidates must be active SamCERA General members. Each candidate for the General member position shall be nominated by a petition signed by not less than ten (10) active SamCERA General members.

**Safety Member Eligibility:** Candidates must be active SamCERA Safety or Probation Safety members. Each candidate for the Safety member position shall be nominated by a petition signed by not less than ten (10) active SamCERA Safety or Probation Safety members.

**Alternate Safety Member Seat:** For the purposes of this election, Safety membership is divided into two groups, Probation and Sheriff's. The candidate for the Safety member seat who receives the highest total number of votes will be elected to the Safety member seat. The candidate who is in a different group from the candidate elected to the Safety member seat and who receives the highest number of votes of any candidate of that group will be elected as alternate Safety member.

**Member Terms:** The General member, the Safety member and the Safety member alternate shall serve from July 2012 – June 2015.

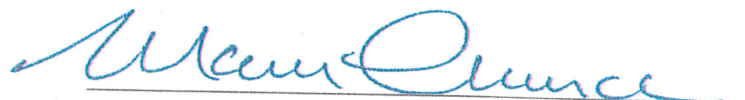
**Required Nomination Petitions & Declarations of Candidacy:** These forms will be available and can be circulated beginning **Monday, April 16, 2012 through Monday, May 7, 2012**. Qualified Candidates may obtain petitions in person at:

COUNTY ELECTIONS OFFICE  
40 TOWER ROAD IN SAN MATEO

**Completed Nomination Petitions & Declarations of Candidacy:** These completed forms must be filed in person with the County Elections Office no later than **5:00 p.m. on May 7, 2012**.

Please call the Elections Office at (650) 312-5222, if you have any questions or wish to make an appointment to take out Candidacy Papers.

The election will be held on **MONDAY, JUNE 11, 2012** and will be conducted in accordance with Article 3 of the *Regulations of the Board of Retirement*. These regulations are available at the Elections Office or SamCERA's website at [www.samcera.org/index.html](http://www.samcera.org/index.html)



MARK CHURCH  
Chief Elections Officer